

**NATIONAL DAIRY MARKET AT A GLANCE**

**CHICAGOMERCANTILE EXCHANGE (CME) CASH MARKETS (9/1)**  
**BUTTER:** Grade AA closed at \$1.3675. The weekly average for Grade AA is \$1.3770 (+.0650).

**CHEESE:** Barrels closed at \$1.3125 and blocks at \$1.3475. The weekly average for barrels is \$1.3185 (+.0640) and blocks, \$1.3270 (+.0735).

**BUTTER:** The butter market remains firm with pricing levels continuing to move higher this week. The CME prices are the highest since January 2006. Demand remains good and many buyers are attempting to stay ahead of price increases. Retail movement is fair to good with sporadic and limited feature activity noted. Food service orders have slowed from summer customers but have grown among fall customers and school accounts. Trade concerns are being expressed about the revenue declines being reported by several restaurant groups. Cream sales are slowing for higher class utilization. Churning activity is projected to grow over the holiday weekend. Producers' stocks are moderate with current butter being in the tightest situation. Several manufacturers have been selling cream instead of churning butter and then pulling butter out of storage to rework or buying fresh butter on the CME or from the spot market. CME butter inventories were 7.95 million pounds lower this week.

**CHEESE:** The cheese market is firm. Cash prices at the Chicago Mercantile Exchange for both barrels and blocks have increased almost weekly since the end of July. Many buyers are trying to beat the next price increase by ordering. Natural cheese interest is generally improving though process is starting to slow seasonally. Producers are having problems filling some current cheese orders on a timely basis due to limited milk and NDM supplies. Cheese production is steady to lower as the reopening of schools draws a larger milk volume away from manufacturing.

**FLUID MILK:** National milk production is trending about steady. Some increases in production are noted in the Carolinas and Arizona. Milk fat and protein tests are slowly rebounding after significant declines during the summer heat spell. Florida milk imports from the Northeastern and Central states are lower compared to last week. Milk shipments are expected to be affected by the latest tropical storm, Ernesto. Typical weather related impulse purchases are noted in some areas whereas storm related school closings are reported in other areas. Due to the Labor Day holiday weekend, some cream Class II and IV users are closing. Milk and cream supplies are expected to be increasingly available to manufacturing facilities as the holiday weekend draws near. Weakness in cream multiples may be offset by strong CME AA butter prices that are currently trending more than 6 cents higher than last week's average of \$1.3120.

**DRY PRODUCTS:** The market tone for dry dairy products is firm. Production of dry dairy products may increase as more milk becomes available for manufacture during the Labor Day holiday weekend. Prices for low heat NDM are generally higher yet buyers are resisting significant premiums as most immediate needs appear satisfied. Some plants are producing more high heat NDM to ensure adequate supplies for contractual deals. Limited supplies of buttermilk are available to the trade, encouraging higher prices. Export and

domestic movement of whey, WPC and lactose is good. Inquiries on fourth quarter contracts are noted with respect to each of these commodities. Feed grade supplies are noted as difficult to source.

**CCC:** During the week of August 28 – September 1, there was no activity under the dairy price support program.

**CLASS AND COMPONENT PRICES (DAIRY PROGRAMS):** The following are the August 2006 prices under the Federal Milk Order pricing system and the changes from the previous month: Class II \$11.16 (+\$0.33), Class III \$11.06 (+\$0.14), and Class IV \$10.64 (+\$0.43). Product price averages used in computing Class prices are: butter \$1.1990, NDM \$0.8484, cheese \$1.1813, and dry whey \$0.2965. The Class II butterfat price is \$1.3078 and the Class III/IV butterfat price is \$1.3008. Further information may be found at: [www.ams.usda.gov/dyfnos/mib/classprcacnmt.pdf](http://www.ams.usda.gov/dyfnos/mib/classprcacnmt.pdf)

**CONSUMER PRICE INDEX (BLS):** The July 2006 CPI for all food is 195.0, up 2.2% from July 2005. The dairy products index is 180.8, down 0.4% from a year ago. The following are the July to July changes for selected products: fresh whole milk is -1.8%; cheese, -0.6%; and butter, -10.1%.

**COMMERCIAL DISAPPEARANCE (ERS, AMS):** Commercial disappearance of dairy products during the period of April - June 2006 totals 45.9 billion pounds, 2.3% above the same period the year prior. Comparing disappearance levels with year earlier levels: butter is +1.5%; American cheese, +8.1%; other cheese, +2.0%; NDM, -5.2%; and fluid milk products, +1.1%.

**AUGUST AGRICULTURAL PRICES HIGHLIGHTS (NASS):** The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in August 2006 was unchanged at 148. Compared with August 2005, the index was up 7 points (5.0%). The index of prices received by farmers for dairy products advanced 1 point during the month of August 2006 to 91. Compared with August 2005, the index was down 22 points (19.5%). Prices received by farmers in August with changes from July were: for All Milk, \$11.90, up \$.10; Fluid Grade Milk, \$11.90, up \$.10; and for Manufacturing Grade Milk, \$11.00, up \$.20.

**USDA RECONVENES NATIONAL PUBLIC HEARING ON PROPOSED AMENDMENTS TO ALL FEDERAL MILK ORDERS:** On September 1, 2006, the USDA announced that it will reconvene a national public hearing to consider proposals seeking to amend the Class III and Class IV milk price formula manufacturing allowances applicable to all federal milk marketing orders. This proceeding is being reconvened to take into evidence only data on plant manufacturing costs compiled by Cornell University and other pertinent data that would be publicly available. The hearing will begin at 8:30 a.m. on September 14 at the Holiday Inn Select, 15471 Royalton Road, Strongsville, Ohio 44136. USDA is also soliciting and currently receiving additional proposals regarding all aspects of the Class III and Class IV price formulas. These proposals are due on or before September 30. Copies of the hearing notice may be obtained from the USDA/AMS/Dairy Programs, STOP 0231 - Rm. 2971, 1400 Independence Avenue, SW, Washington, D.C. 20250-0231. The reconvened hearing notice is available on AMS' web site: [www.ams.usda.gov/dairy](http://www.ams.usda.gov/dairy)

\*\*\*\*SPECIALS THIS ISSUE\*\*\*\*

INTERNATIONAL DAIRY MARKET NEWS (PAGE 8)  
 CME DAIRY FUTURES (PAGE 9)  
 AUGUST MONTHLY AVERAGES AND SUMMARY (PAGES 10-12)  
 JULY CONSUMER PRICE INDEX (PAGE 13)

COMMERCIAL DISAPPEARANCE OF DAIRY PRODUCTS (PAGE 13)  
 AUGUST AGRICULTURAL PRICES HIGHLIGHTS (PAGE 14)  
 DAIRY GRAPHS (PAGES 15 - 16)

**CHICAGO MERCANTILE EXCHANGE  
 CASH TRADING**

| PRODUCT    | MONDAY<br>AUGUST 28  | TUESDAY<br>AUGUST 29 | WEDNESDAY<br>AUGUST 30 | THURSDAY<br>AUGUST 31 | FRIDAY<br>SEPTEMBER 1 | WEEKLY<br>CHANGE* | WEEKLY<br>AVERAGE#   |
|------------|----------------------|----------------------|------------------------|-----------------------|-----------------------|-------------------|----------------------|
| CHEESE     |                      |                      |                        |                       |                       |                   |                      |
| BARRELS    | \$1.3050<br>(+.0150) | \$1.3200<br>(+.0150) | \$1.3200<br>(N.C.)     | \$1.3350<br>(+.0150)  | \$1.3125<br>(-.0225)  | (+.0225)          | \$1.3185<br>(+.0640) |
| 40# BLOCKS | \$1.3000<br>(+.0050) | \$1.3000<br>(N.C.)   | \$1.3400<br>(+.0400)   | \$1.3475<br>(+.0075)  | \$1.3475<br>(N.C.)    | (+.0525)          | \$1.3270<br>(+.0735) |
| BUTTER     |                      |                      |                        |                       |                       |                   |                      |
| GRADE AA   | \$1.3800<br>(+.0250) | \$1.3800<br>(N.C.)   | \$1.3800<br>(N.C.)     | \$1.3775<br>(-.0025)  | \$1.3675<br>(-.0100)  | (+.0125)          | \$1.3770<br>(+.0650) |

NOTICE: CME IS CLOSED MONDAY, SEPTEMBER 4. CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. \*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at [WWW.AMS.USDA.GOV/MARKETNEWS.HTM](http://WWW.AMS.USDA.GOV/MARKETNEWS.HTM) NOTE: CME NDM on Page 2.

## CHICAGO MERCANTILE EXCHANGE

MONDAY, AUGUST 28, 2006

CHEESE — SALES: 1 CAR 40# BLOCKS @ \$1.3000; BIDS UNFILLED: 4 CARS BARRELS: 1 @ \$1.3050, 1 @ \$1.3000, 1 @ \$1.2900, 1 @ \$1.2800; 1 CAR 40# BLOCKS @ \$1.2950; OFFERS UNCOVERED: NONE

BUTTER — SALES: 10 CARS GRADE AA: 1 @ \$1.3600, 2 @ \$1.3650, 2 @ \$1.3700, 2 @ \$1.3750, 3 @ \$1.3800; BIDS UNFILLED: 5 CARS GRADE AA: 1 @ \$1.3725, 2 @ \$1.3700, 2 @ \$1.3600; OFFERS UNCOVERED: 1 CAR GRADE AA @ \$1.3900

TUESDAY, AUGUST 29, 2006

CHEESE — SALES: 4 CARS 40# BLOCKS: 1 @ \$1.3100, 1 @ \$1.3075, 1 @ \$1.3050, 1 @ \$1.3000; BIDS UNFILLED: 2 CARS BARRELS: 1 @ \$1.3200, 1 @ \$1.3050; OFFERS UNCOVERED: 4 CARS 40# BLOCKS: 1 @ \$1.3025, 3 @ \$1.3100

BUTTER — SALES: 10 CARS GRADE AA: 4 @ \$1.3800, 1 @ \$1.3750, 3 @ \$1.3800, 1 @ \$1.3825, 1 @ \$1.3800; BIDS UNFILLED: 2 CARS GRADE AA: 1 @ \$1.3750, 1 @ \$1.3700; OFFERS UNCOVERED: 8 CARS GRADE AA: 3 @ \$1.3850, 1 @ \$1.3900, 1 @ \$1.3950, 1 @ \$1.4000, 2 @ \$1.4100

WEDNESDAY, AUGUST 30, 2006

CHEESE — SALES: 2 CARS BARRELS @ \$1.3200; 9 CARS 40# BLOCKS: 1 @ \$1.3200, 1 @ \$1.3150, 1 @ \$1.3200, 1 @ \$1.3300, 1 @ \$1.3400, 2 @ \$1.3425, 2 @ \$1.3400; BIDS UNFILLED: 2 CARS BARRELS @ \$1.3100; OFFERS UNCOVERED: 2 CARS 40# BLOCKS @ \$1.3500

BUTTER — SALES: 13 CARS GRADE AA: 1 @ \$1.3850, 1 @ \$1.3825, 1 @ \$1.3850, 2 @ \$1.3800, 2 @ \$1.3825, 1 @ \$1.3800, 1 @ \$1.3850, 1 @ \$1.3800, 1 @ \$1.3825; BIDS UNFILLED: 2 CARS GRADE AA @ \$1.3775; OFFERS UNCOVERED: 3 CARS GRADE AA: 1 @ \$1.3800, 1 @ \$1.3900, 1 @ \$1.4000

THURSDAY, AUGUST 31, 2006

CHEESE — SALES: 4 CARS BARRELS: 1 @ \$1.3350, 1 @ \$1.3375, 2 @ \$1.3350; 1 CAR 40# BLOCKS @ \$1.3475; BIDS UNFILLED: 2 CARS 40# BLOCKS: 1 @ \$1.3475, 1 @ \$1.3400; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.3350; 1 CAR 40# BLOCKS @ \$1.3500

BUTTER — SALES: 2 CARS GRADE AA: 1 @ \$1.3775, 1 @ \$1.3800; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 4 CARS GRADE AA: 2 @ \$1.3775, 1 @ \$1.3800, 1 @ \$1.3900

FRIDAY, SEPTEMBER 1, 2006

CHEESE — SALES: 1 CAR BARRELS @ \$1.3125; 3 CARS 40# BLOCKS @ \$1.3475; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.3125; 1 CAR 40# BLOCKS @ \$1.3500

BUTTER — SALES: 5 CARS GRADE AA: 1 @ \$1.3800, 1 @ \$1.3775, 1 @ \$1.3750, 1 @ \$1.3725, 1 @ \$1.3700; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 5 CARS GRADE AA: 1 @ \$1.3675, 1 @ \$1.3775, 1 @ \$1.3800, 1 @ \$1.3850, 1 @ \$1.3900

**CME CASH NONFAT DRY MILK:** Extra Grade closed the week at \$0.9000 and Grade A at \$0.9000. (The last price change for Extra Grade and Grade A was on August 9, 2006.) The weekly average for Extra Grade is \$0.9000 (N.C.) and Grade A is \$0.9000 (N.C.).

## BUTTER MARKETS

## NORTHEAST

Butter markets remain firm. The CME cash butter price increased to \$1.3800 on Monday, 8/28/06. Prices have not been at this level since January. With heavy stocks in the market, some producers speculate that prices may not hold at this level for long. Some buyers are delaying their butter orders, possibly in light of reduced demand during the Labor Day holiday weekend or expected lower prices as cream supplies rebound. More cream is notably available from Class I facilities. Ice cream interest in cream is seasonally slower at some locations and steady at other locations. As a result, cream may be made available to churns over the holiday weekend. Stocks of butter continue to be processed, particularly as producers prepare for Thanksgiving and end of the year holidays. Sale of bulk butter f.o.b East are reported in a range from flat market to 3.0 cents over the CME price/average.

## CENTRAL

The butter price continues to move higher at the CME cash market and the Grade AA price reached \$1.3800 this week. This price is the highest at the Exchange since the second week of January 2006. Trading activity continues to be active at the CME with 33 car lots sold during the first 3 days of this week. Trade contacts see the CME as supplying fresh butter that is not currently available from producers. Many producers are selling cream at high multiples and making profits. To service customers, the producers are buying fresh butter on the exchange or reworking butter from inventory. How long this practice will take place is unknown. Presently, cream volumes are higher as milk output returns, the fat level in milk rebounds, and increased cream from skimming school milk shows up on the market. Retail movement has been steady with only limited features noted. Food services accounts are often seeing lower demand from vacation areas

and a building interest from school accounts. Bulk butter for spot sale is being reported in the flat – 2 cents per pound over various pricing basis.

## WEST

In active trading at the cash CME market last week, butter prices gained 7 cents and they increased further this week to stand at \$1.38 on August 30. Sales last week totaled 61 cars with 33 sold by Wednesday of this week. Cream markets are not quite as tight as a few weeks ago, but many churns are employing the same strategy that they started to use at that time. They are selling the relatively expensive cream and buying butter to cover their needs on the exchange or commercially. More butter is coming out of storage on a weekly basis. Some butter plants are commenting that it is getting hard to find room in warehouses to temper the butter that is coming out of the freezer. Churning is, however, picking up as milk production and tests rebound from the summer heat. Butter demand is being rated as fair to good. Retailers are now gearing up for the fall season when schools are open and at home eating transitions out of the summer vacation mode. Some features are noted at the retail level. Quota imports of butter for the first seven months of the year total 6.8 million pounds, 34% less than for the same period last year. Imports stand at 44% of the annual quota. New Zealand accounted for 57% of the imports for this period. Imports of High-Tier butter (above quota and with a penalty) for the seven month period total 480,500 pounds, up 20% from the same period in 2005. The weekly CME butter inventory declined by 7.95 million pounds last week to stand at 124.0 million pounds. The drawdown for this time of year is unprecedented since this report started. Since July 22, about the time that the impact of the summer heat was being felt, stocks have declined 33.6 million pounds. Last year they only moved 13.9 million pounds lower. The only other year of this magnitude was 2003 when 31.1 million pounds left warehouses over the same period. Prices for bulk butter range from flat market to 4 cents under based on the CME with various time frames and averages.

## NASS DAIRY PRODUCT PRICES

## U.S. AVERAGES AND TOTAL POUNDS

|             | CHEESE     |              |            |           |            |
|-------------|------------|--------------|------------|-----------|------------|
|             | 40# BLOCKS | BARRELS      | NDM        | BUTTER    | DRY WHEY   |
|             |            | 38% MOISTURE |            |           |            |
| WEEK ENDING |            |              |            |           |            |
| AUGUST 26   | 1.1925     | 1.2046       | 0.8543     | 1.2406    | 0.3036     |
|             | 7,591,604  | 9,772,855    | 18,711,584 | 3,271,695 | 11,805,295 |

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

## CHEESE MARKETS

## NORTHEAST

Wholesale prices are higher except for Swiss. Current cheese supplies have tightened and some buyers are finding problems acquiring desired volumes of certain varieties. Cheese production is steady to lighter, reflecting increased Class I milk use between shipments to the Southeast and increases by local bottlers preparing for the reopening of schools. Tight NDM supplies are also limiting fortifying cheese vats and yields.

WHOLESALE SELLING PRICES: DELIVERED,  
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

|                             |   |               |
|-----------------------------|---|---------------|
| Cheddar 10# Prints          | : | 1.3375-1.8575 |
| Cheddar Single Daisies      | : | 1.2950-1.7800 |
| Cheddar 40# Block           | : | 1.3925-1.6675 |
| Process 5# Loaf             | : | 1.4625-1.7025 |
| Process 5# Sliced           | : | 1.4775-1.7875 |
| Muenster                    | : | 1.4100-1.6100 |
| Grade A Swiss Cuts 10 - 14# | : | 2.4500-2.6500 |

## MIDWEST

The cheese market is firm, but cautious. Current daily cash cheese prices at the Chicago Mercantile Exchange reached the \$1.30s on August 28, the highest since January. Cash prices a year ago were nearly \$1.5000. A few producers and buyers have starting negotiations on their annual committed cheese supply agreements for next year. Barrel demand remains good with reports that a producer has reduced production, tightening barrel supplies due to the improved Class I demand. Retailer and food service buyers continue to take advantage of relatively low cheese prices to run features on different items. Some plants continue to delay or short orders of specialty varieties due to reduced cheese production. Swiss sales seem spotty. Conducive weather for late summer milk production is helping milk volumes bounce back from earlier in the month. Current cheese production is also being impacted by an increase in Class I demand as bottlers build inventory for the reopening of schools.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,  
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

|   |   |               |
|---|---|---------------|
| Process American 5# Loaf                    | : | 1.5350-1.7000 |
| Brick And/Or Muenster 5#                    | : | 1.7000-1.8325 |
| Cheddar 40# Block                           | : | 1.5700-2.2650 |
| Monterey Jack 10#                           | : | 1.7000-2.2650 |
| Blue 5#                                     | : | 2.1375-2.3800 |
| Mozzarella 5 - 6# (Low Moisture, Part Skim) | : | 1.4625-2.3650 |
| Grade A Swiss Cuts 6 - 9#                   | : | 2.1550-2.8300 |

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS  
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

|          | BUTTER : CHEESE |           |
|----------|-----------------|-----------|
|          |                 | :         |
| 08/28/06 | 45,569          | : 132,533 |
| 08/01/06 | 53,908          | : 137,815 |
| CHANGE   | -8,339          | : -5,282  |
| % CHANGE | -15             | : -4      |

## WEST

Block cheese prices at the cash CME market started to increase more rapidly at the end of last week and they continued this week to move to \$1.34 for the first time since January. Block cheese is available in the West with contacts wondering if this much strength is justified at this particular time. Barrels are tighter than blocks, but still available and undergrade cheese is still also available. Western contacts wonder how much strength is really behind this upward push. Milk production and solids are rebounding from the summer heat stress. Fluid plants are calling for more milk as schools are reopening for the fall term which is limiting cheese production at some plants. Offerings of mozzarella from the freezer and fresh are both heavy for the improving fall trade. Swiss sales seem to be about normal for this time of year. Quota imports of total cheese for the first seven months of the year have reached 138.0 million pounds, 13% less than the same period last year. Imports stand at 46% of the annual quota. Imports of High-Tier cheese (above quota and with a penalty) total 17.7 million pounds, up 23% from the first seven months of 2005. Quota imports of Swiss are 32.2 million pounds, 14% less than in 2005.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND  
(1000 - 5000 POUNDS MIXED LOTS)

|                           |   |               |
|---------------------------|---|---------------|
| Process 5# Loaf           | : | 1.4050-1.6625 |
| Cheddar 40# Block         | : | 1.3700-1.7225 |
| Cheddar 10# Cuts          | : | 1.5500-1.7700 |
| Monterey Jack 10#         | : | 1.5600-1.7200 |
| Grade A Swiss Cuts 6 - 9# | : | 2.3500-2.7000 |

## FOREIGN

Prices are higher on domestic and unchanged on imported. Stocks of imported varieties are adequate. Some occasional tightness noted on selected domestic varieties such as provolone. July 2006 cheese imports total 8.276 million Kg., down 1.08 million Kg. (-11.6%) from July 2005. Cumulative January - July 2006 imports total 62.6 million Kg., down 9.04 million Kg. (-12.6%). Imports of high tier cheese varieties during the first 7 months of 2006 total 8.029 million Kg, up 1.52 million Kg. (23.2%).

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK  
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

| NEW YORK                 |                   |                    |
|--------------------------|-------------------|--------------------|
| VARIETY                  | IMPORTED          | DOMESTIC           |
| Roquefort                | : TFEWR           | : -0-              |
| Blue                     | : 2.6400-4.4800   | : 1.6575-3.1450*   |
| Gorgonzola               | : 3.6900-5.9900   | : 2.1600-2.4900*   |
| Parmesan (Italy)         | : TFEWR           | : 3.0650-3.1700*   |
| Romano (Italy)           | : 2.1000-3.2900   | : -0-              |
| Provolone (Italy)        | : 3.4400-6.0900   | : 1.6500-1.8875*   |
| Romano (Cows Milk)\$     | : -0-             | : 2.8475-4.9900*\$ |
| Sardo Romano (Argentina) | : 2.8500-3.2900   | : -0-              |
| Reggianito (Argentina)   | : 2.6900-3.2900   | : -0-              |
| Jarlsberg-(Brand)        | : 3.1200-4.1500   | : -0-              |
| Swiss Cuts Switzerland   | : -0-             | : 2.4500-2.6500    |
| Swiss Cuts Finnish       | : 2.5900-2.8500   | : -0-              |
| Swiss Cuts Austrian      | : TFEWR           | : -0-              |
| Edam                     | :                 | :                  |
| 2 Pound                  | : TFEWR           | : -0-              |
| 4 Pound                  | : TFEWR           | : -0-              |
| Gouda, Large             | : TFEWR           | : -0-              |
| Gouda, Baby (\$/Dozen)   | :                 | :                  |
| 10 Ounce                 | : 27.8000-31.7000 | : -0-              |

\* = Price change.

\$Last week's price range should have been \$2.8175-4.9600



## FLUID MILK AND CREAM

## E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

|                  | THIS WEEK |     | LAST WEEK |     | LAST YEAR |     |
|------------------|-----------|-----|-----------|-----|-----------|-----|
|                  | IN        | OUT | IN        | OUT | IN        | OUT |
| FLORIDA          | 270       | 0   | 287       | 0   | 255       | 0   |
| SOUTHEAST STATES | 124       | 0   | 126       | 0   | 91        | 0   |

Milk production is steady with some production rebounds noted, particularly in the Carolinas, as temperatures adjust to levels more suitable for cow comfort. Milk movement is expected to be hampered by developments in the latest tropical storm, Ernesto, as the storm shifts away from Florida and potentially targets the Carolinas in the next few days. Class I interest is mixed. Some consumers are exhibiting typical weather related impulse purchases. However, with some schools closing in response to the storm and the upcoming Labor Day holiday weekend, interest from Class I handlers is reduced. Shipments of milk into Florida are lower compared to the week prior. Florida milk intakes are also expected to decline next week. Milk movement into Southeast States is about steady. Interest in condensed skim remains strong, particularly in light of the limited supplies of NDM in the market. Condensed skim prices are unchanged and mostly contractually based. Cream is slowly becoming more available yet multiples are generally not attractive to churns. Due to the limited supply availability of cream, some churns are shutting down for the Labor Day holiday. Increased offers are noted from the West to the Eastern region. Ice cream interest in cream is steady to lower. Handlers expect more cream to be available and lower respective multiples during the holiday weekend. Some handlers suspect that increased supplies may exist only in the short-term. Cream multiples are unchanged to lower while the CME AA butter price average is higher compared to the week prior. As a result, cream prices are trending about steady.

## FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

|  |   |                               |
|--|---|-------------------------------|
| F.O.B. PRODUCING PLANTS: NORTHEAST     | - | 1.9680-2.2960                 |
| DELIVERED EQUIVALENT: ATLANTA          | - | 2.0992-2.2960 M 2.1648-2.2304 |
| F.O.B. PRODUCING PLANTS: UPPER MIDWEST | - | 1.8368-2.1910                 |

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

|  |               |
|--|---------------|
| F.O.B. PRODUCING PLANTS:                               |               |
| NORTHEAST - CLASS II - INCLUDES MONTHLY FORMULA PRICES | - .8975-.9700 |
| NORTHEAST - CLASS III - SPOT PRICES                    | - .8900-.9500 |

## M I D W E S T

Class I demand increased as bottlers fill up for the reopening of remaining schools next week. This is in addition to various retail features and the usually stronger first of the month sales. Milk supplies are very tight. Finding trucks and truckers to move product remains a big problem with one handler commenting that the problem may be even worse than last year. Milk shipments from the region to the Southeast continue, though the hurricane may cause some temporary interruptions. Manufacturing milk interest remains good and demand continues to exceed the limited supply. Reported spot prices on light test range from around \$1.60 - \$3.25 over class, fob. Some buyers are offering lower prices for the upcoming holiday weekend, but handlers expect any extra milk volume to be minimal. Cream supplies are starting to loosen with multiples expected to be even lower for the holiday weekend. Some cream users will be closed an extra day and there is an increase in standardized cream supplies from bottlers. Ice cream production continues to wane seasonally though cream cheese has increased. More cream is expected to be available for churning over the holiday weekend. Plant milk intakes continue to rebound in the upper part of the region, because of additional freshenings and continued conducive late summer weather for milk production. Fat and protein levels are generally slightly higher than earlier in the month. Manufacturing plant schedules are generally lighter as bottlers take larger milk volumes. Fall harvest is starting in some areas but most in the upper tier are still centered on another hay cutting. Producers are checking corn maturity in preparation for silage harvest. Replacement cow and springing heifer prices at a Wisconsin dairy cattle sale were steady to higher compared to

prices about 8 weeks ago. Supreme quality fresh milk cows sold for \$2125.00 - 2450.00 per head and approved quality \$1700.00 - 2125.00. Approved quality springing heifers went for \$1725.00 - 1985.00 per animal and medium quality \$1400.00 - 1750.00.

## WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

|                           | AUG 24 - 30     | PREVIOUS YEAR   |
|---------------------------|-----------------|-----------------|
| SLAUGHTER COWS            | \$ 46.00- 52.00 | \$ 47.00- 53.00 |
| REPLACEMENT HEIFER CALVES | \$400.00-625.00 | \$400.00-700.00 |

## SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

|                | AUG 24 - 30     | PREVIOUS YEAR   |
|----------------|-----------------|-----------------|
| SLAUGHTER COWS | \$ 44.00- 55.00 | \$ 46.00- 55.00 |

## W E S T

July 2006 POOL RECEIPTS of milk in CALIFORNIA total 2.95 billion pounds, 0.4% lower than last year. 2006 cumulative receipts through July are 3.5% higher than 2005 receipts. The July blend price, at a fat test of 3.56%, is \$10.44, 26 cents lower than June and \$3.31 less than July 2005. The percentage of receipts used in Class I products is 14.81%. The July quota price is \$11.71 and the over quota price is \$10.01. These prices are 19 cents below June and \$3.28 lower than a year earlier. Milk production in CALIFORNIA is holding mostly steady this week. Levels have mainly recovered from the heat related reductions in late July. Temperatures have been nearly ideal across the state and have allowed cows to recover from the heat stress. The impact was also seen on milk components, but fat and solids levels have also come back to expected levels. Processors in the state are receiving the milk at projected levels with many wanting extra milk to make up for lost production. Handlers are expecting smooth sailing over the holiday weekend. Bottled milk orders are good and expected to be solid from school and retail accounts. ARIZONA milk production is steady to slightly higher at levels generally above a year ago. A factor limiting processors is that milk from nearby states has diminished. Production schedules are often lower than planned. Fluid milk orders are good and filling both school and retail accounts. Hauling rates are affecting the costs of shipping milk and components. NEW MEXICO milk output is slow to move and is being affected by recent wet conditions and humidity in the producing areas. Volumes are lower than expected and handlers are not placing milk into some plants to keep other plants at desired levels. Milk shipments to the Southeast are lower than expected because of the lack of available supplies to fill these orders. Harvesting of hay has stopped because of the wet conditions and the delay could reduce the number of cuttings this year. Western CREAM market were stronger early in the week, but were under pressure later in the week. The holiday weekend is part of the situation, but the market complex is more unsettled than in recent weeks. More fat is showing up on the market and volumes are not clearing as fast. Usage in higher class items has slowed, especially into ice cream products. Additional cream is expected from the fluid milk handlers as more milk is standardized for school accounts. The butter price at the CME moved to \$1.3800 at midweek, 6.5 cents higher than last week. Cream multiples are mostly steady in the 120 to 145 range, FOB, and vary depending on class usage and basing points. The milk flow in the PACIFIC NORTHWEST seems to have been affected the least of most any area in the country by the summer heat spell. Plants are running efficiently on seasonal supplies of milk. Fat and protein levels are a bit below expectations, but they are rebounding slowly. Dairy producers are looking at their corn fields and are deciding how soon to start making corn silage. This new feed will be welcome since the hay situation is not all that good. There will be quite a bit of competition for any further cuttings of hay made. Some dairy producers have chosen to wait on filling out their purchases and others have been forced into looking at later cuttings. The assumption is that prices are likely to firm at the end of the season. The milk flow has rebounded nicely in both UTAH and IDAHO. Plants are in close balance on their available milk supplies. Tests are not quite as good as normal. Most hay growers will likely get at least one more cutting with many hoping for two. The hay will find good demand from within the region and from hay short areas in adjoining states. Heifer prices at a major regional sale have gained back \$100-150 over the last four weeks to stand at \$1990 for the top end and the average is \$1760 per head.

**NDM, BUTTERMILK & WHOLE MILK**

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

**NONFAT DRY MILK - CENTRAL AND EAST**

**CENTRAL:** Prices are mixed on a firm market. Direct spot trade direct from the manufacturer is very limited. Although some manufacturer list prices are significantly higher, buyer resistance is noted. Offering prices in the resale market are noted as high as 1.2500. Traders report resale trades at about 1.0500 to 1.1000. Most trade is contractual with the NASS pricing series being used, in part, as a benchmark for NDM sales. The last NASS NDM price reported was 0.8463, 0.0012 lower than the price reported the week prior. Production of low heat is steady. The CCC recently indicated that offerings of government held NDM will not be forthcoming. High heat supplies are tight with production limited to contractual interest.

**EAST:** Prices are unchanged to higher on a firm market. Although milk supplies are rebounding from weather related supply deficits, production of NDM in the region remains fairly light. In addition, milk intakes at some plants are being processed into high heat instead of low heat NDM in an attempt to alleviate anticipated contractual supply shortages this fall. Resale trade is reported at about 1.0000 - 1.0500. Offers near the high side of the range are being met with resistance. Low heat NDM production may increase over the holiday weekend, especially in light of reduced milk shipments into Florida. Condensed skim interest is good with supplies short of buyer interest.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A  
LOW/MEDIUMHEAT: .8625 - 1.1500 MOSTLY: 1.0100 - 1.0600  
HIGHHEAT: .8975 - 1.2500

**NONFAT DRY MILK - WEST**

Pricing levels for low/medium heat nonfat dry milk are steady to lower on the top end of the range. There are few loads available for spot sales, but buyers are not as aggressive as in recent weeks. The trade sentiment from the buyer side is that more NDM will be available in the near future. The main reason is that milk production has returned. Therefore, buyers are not willing to pay the top dollar prices being offered. Cheese producers have lowered the levels of NDM usage in cheese making. Drying schedules are increasing, but the main issue producers have is catching up on past due orders they were not able to fill when milk output tanked. Offerings are available from some resellers but prices are often well above the top of the range. High heat prices are higher in light trading. The impact of the low heat price increases have been slow to carry over to the high heat market. Product availability is light to near projected levels. Processors have time to make high heat, but struggle to balance customer needs.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A  
LOW/MEDIUMHEAT: .8300 - 1.0000 MOSTLY: .8525 - .9500  
HIGHHEAT: .8575 - .9500

**CALIFORNIA MANUFACTURING PLANTS - NDM**

| WEEK ENDING | PRICE   | TOTAL SALES | SALES TO CCC |
|-------------|---------|-------------|--------------|
| August 25   | \$.8382 | 11,915,299  | 0            |
| August 18   | \$.8334 | 11,852,269  | 0            |

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

**DRY BUTTERMILK - CENTRAL**

Prices are unchanged to higher on a firm market. Some reduced interest in condensed buttermilk from some ice cream operations is noted. Production of dry buttermilk is steady to slightly higher with some producers anticipating production increases during the holiday weekend. Producer stocks of buttermilk are generally held with confidence. Some buyer price resistance is noted at the higher side of the range. Demand is mostly contractual.

F.O.B. CENTRAL: 1.0200 - 1.0500

**DRY BUTTERMILK - NORTHEAST AND SOUTHEAST**

Prices are unchanged and nominal and the market tone is firm. Spot supplies are extremely limited in the East, encouraging broker inquiries into the Central region where prices are higher and unattractive. Although cream supplies are expected to become more available over the holiday weekend, producers expect churn activity and therefore buttermilk production to remain light.

F.O.B. NORTHEAST: .9100 - .9300  
DELVD SOUTHEAST: .9300 - .9500

**DRY BUTTERMILK - WEST**

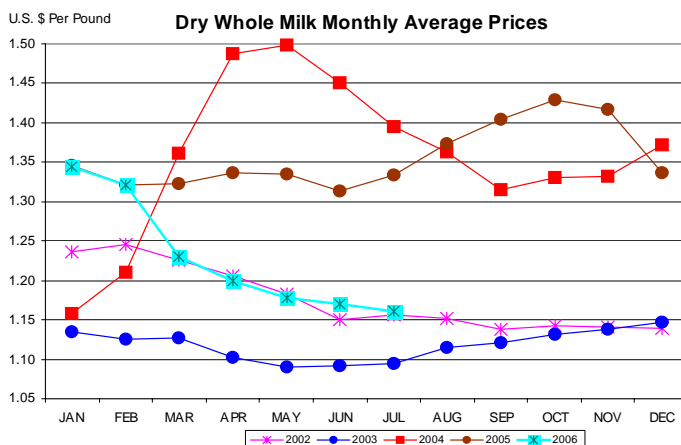
Dry buttermilk prices are higher and the market tone is firm. Buying interest is fair for the currently limited offerings. Some buyers are not getting needs met and are taking LTL deliveries and searching into the resale channels. Buttermilk drying has been light in past weeks and reflective of reduced levels of butter being churned in the region. The expectation is that after the holiday weekend, butter production will pick up as cream returns to the churn. Inventory levels remain on the lighter side.

F.O.B. WEST: .8000 - .9000 MOSTLY: .8400 - .8900

**DRY WHOLE MILK - NATIONAL**

Prices for dry whole milk are holding mostly steady. The market tone continues to be firm. Currently, prices continue to move higher for both butter and nonfat dry milk. Milk prices are expected to move higher and this is the basis for some producers' whole milk prices. There are reports of imported whole milk powder in the East at prices below the low end of the range. Current demand is light to moderate. Some seasonal accounts are beginning to pull additional loads. Drying schedules are trending higher as milk returns to processing plants. Stocks are light.

F.O.B. PRODUCING PLANT: 1.2500 - 1.3200



## WHEY, CASEIN & EVAPORATED MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

### DRY WHEY - CENTRAL

Prices are higher on a firm market. Producer supplies remain limited, encouraging increased interest in the resale trade where supplies are reportedly being offered 3-4 cents over the market. Buyers are not aggressively pursuing higher priced supplies reportedly available. Some increased production is anticipated over the holiday weekend. Most contractual orders are being satisfied with a few locations reporting shipping delays. Feed grade supplies are difficult to source.

F.O.B. CENTRAL: .3175 - .3400 MOSTLY: .3175 - .3375  
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .2975 - .3200

### DRY WHEY - NORTHEAST AND SOUTHEAST

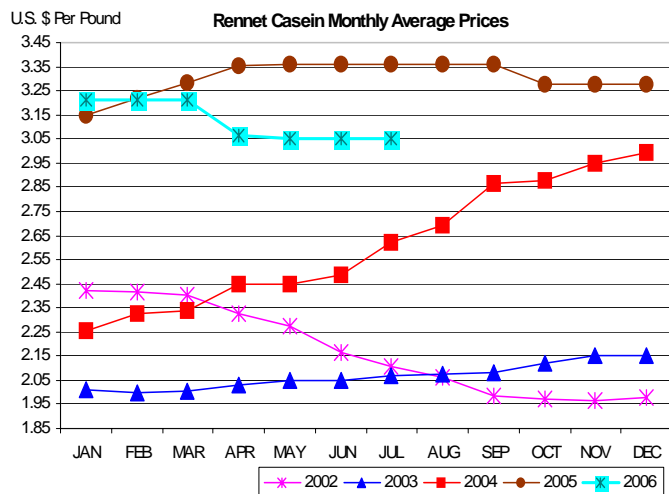
Prices are unchanged to higher and nominal. The market tone is firm. Most trade is contractual with limited supply available to the spot trade. Production is improving as more milk becomes available in light of some production rebounds and reduced interest from Class I. Due to some previous shipment delays and shortages, producers are generally just keeping up with demand. Inquiries are noted from both domestic and foreign users.

|                   |                          |               |
|-------------------|--------------------------|---------------|
| F.O.B. NORTHEAST: | EXTRA GRADE AND GRADE A: | .3200 - .3300 |
| DELVD SOUTHEAST:  |                          | .3400 - .3500 |

## DRY WHEY - WEST

Western whey prices are generally steady with a continuing firm undertone noted. Buyers are getting the powder that they need, but they sometimes have to wait for deliveries to be made. Export sales continue to occur and this trend is likely to continue. European whey prices are continuing to firm and offerings for export sales are light. Oceania milk production is just starting up seasonally so they are not expected to have much available on the whey solids front for a few months. The bottom line is that if anyone in the world needs a good volume of high quality whey powder, they are likely to come to the U.S. to source it. Powder production has rebounded at some locations as milk output comes back from the summer heat stress. Stock levels vary from adequate to short of trade needs.

NONHYGROSCOPIC: .2725 - .3400 MOSTLY: .3000 - .3200



### WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are unchanged to higher on a firm market. Trade activity is very light due to limited supply availability. Production is improving as some plants make up for lost production time due to previous equipment failure or reduced supply availability of condensed whey. Most trade is contractual. Resale trade is reported on the high side of the range for the light interest. Feed interest is light as buyers operate off of inventoried stock or recent CCC NDM sellback purchases. Some buyer concern is noted with respect to fourth quarter supply availability. Off grade supplies are limited for the good interest.

F.O.B. EXTRA GRADE 34% PROTEIN: .6100 - .6600 MOSTLY: .6200 - .6300

## LACTOSE - CENTRAL AND WEST

Prices are unchanged to higher on a firm market. Spot supplies direct from the manufacturer are extremely light. Contract orders are being satisfied yet in some instances shipments are delayed, especially as some plants recoup losses from equipment failures or reduced supply availability of condensed whey. Production is anticipated to rebound to normal levels as more milk becomes available. Supplies are expected to remain short of buyer interest in the fourth quarter. Inquiries from both domestic and foreign buyers are noted for fourth quarter and 2007. Some resale prices are reported above the range. Whey and dry permeate are also short in supply and are therefore not effective substitutes to lactose in adaptable formulations.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .2775 - .4100 MOSTLY: .3200 - .3800

## CASEIN - NATIONAL

Prices are unchanged for both casein types after declines were recorded last week. The market tone is weaker. Availability from European sources is along scheduled plans as the production season slows. Product is moving to contracted customers as projected. Oceania sources have little product ahead of their new season. There is very little news that is affecting the casein markets and pricing levels. Stocks are in place in the U.S. to handle current and nearby needs.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

|         |                 |
|---------|-----------------|
| RENNET: | 2.9500 - 3.0000 |
| ACID:   | 3.0000 - 3.0500 |

## EVAPORATED MILK - NATIONAL

Prices are unchanged. The market tone is about steady. On August 24, the Kansas City Commodity office announced the purchase of 771,120 pounds of evaporated milk under EVD2-020 at \$0.4295 - 0.4506 per pound.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$21.20 - 36.00

Excluding promotional and other sales allowances. Included new price announcements.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

|                 | FOR THE WEEK OF AUGUST 28 - SEPTEMBER 1 |                         |                       | CUMULATIVE TOTALS |                          | UNCOMMITTED INVENTORIES |                          |
|-----------------|---|-------------------------|-----------------------|-------------------|--------------------------|-------------------------|--------------------------|
|                 | TOTAL<br>PURCHASES                      | CONTRACT<br>ADJUSTMENTS | ADJUSTED<br>PURCHASES | SINCE<br>10/01/05 | SAME PERIOD<br>LAST YEAR | WEEK ENDING<br>08/24/06 | SAME PERIOD<br>LAST YEAR |
| BUTTER          |   |                         |                       |                   |                          |                         |                          |
| Bulk            | -0-                                     | -0-                     | -0-                   | -0-               | -0-                      | -0-                     | -0-                      |
| Packaged        | -0-                                     | -0-                     | -0-                   | -0-               | -0-                      | -0-                     | -0-                      |
| TOTAL           | -0-                                     | -0-                     | -0-                   | -0-               | -0-                      | -0-                     | -0-                      |
| CHEESE          |   |                         |                       |                   |                          |                         |                          |
| Block           | -0-                                     | -0-                     | -0-                   | -0-               | -0-                      | -0-                     | -0-                      |
| Barrel          | -0-                                     | -0-                     | -0-                   | -0-               | -0-                      | -0-                     | -0-                      |
| Process         | -0-                                     | -0-                     | -0-                   | 198,000           | -0-                      | -0-                     | -0-                      |
| TOTAL           | -0-                                     | -0-                     | -0-                   | 198,000           | -0-                      | -0-                     | -0-                      |
| NONFAT DRY MILK |   |                         |                       |                   |                          |                         |                          |
| Nonfortified    | -0-                                     | -0-                     | -0-                   | 63,991,990        | 31,817,269               | -0-                     | -0-                      |
| Fortified       | -0-                                     | -0-                     | -0-                   | -0-               | -0-                      | -0-                     | -0-                      |
| TOTAL           | -0-                                     | -0-                     | -0-                   | 63,991,990        | 31,817,269               | -0-                     | -0-                      |

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

|  | MILKFAT*<br>BASIS | SKIM**<br>SOLIDS |                                    | MILKFAT*<br>BASIS | SKIM**<br>SOLIDS |
|--|-------------------|------------------|------------------------------------|-------------------|------------------|
| WEEK OF AUGUST 28 - SEPT. 1, 2006 =    | 0.0               | 0.0              | COMPARABLE PERIOD IN 2005 =        | 0.0               | 0.0              |
| CUMULATIVE SINCE OCTOBER 1, 2005 =     | 15.9              | 746.8            | CUMULATIVE SAME PERIOD LAST YEAR = | 7.0               | 370.4            |
| CUMULATIVE JANUARY 1 - SEPT. 1, 2006 = | 15.9              | 746.8            | COMPARABLE CALENDAR YEAR 2005 =    | 0.0               | 0.0              |

\* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

\*\*Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE WEEK OF AUGUST 28 - SEPTEMBER 1, 2006 (POUNDS)

|         | BUTTER |          |          | CHEESE |        |         | NONFAT DRY MILK |           |
|---------|--------|----------|----------|--------|--------|---------|-----------------|-----------|
| REGION  | BULK   | PACKAGED | UNSALTED | BLOCK  | BARREL | PROCESS | NONFORTIFIED    | FORTIFIED |
| CENTRAL | -0-    | -0-      | -0-      | -0-    | -0-    | -0-     | -0-             | -0-       |
| WEST    | -0-    | -0-      | -0-      | -0-    | -0-    | -0-     | -0-             | -0-       |
| EAST    | -0-    | -0-      | -0-      | -0-    | -0-    | -0-     | -0-             | -0-       |

CCC ADJUSTED PURCHASES SINCE 10/1/05 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

|         | BUTTER  |         | CHEESE  |         | NONFAT DRY MILK |            | MILK EQUIVALENT (%) |         |
|---------|---------|---------|---------|---------|-----------------|------------|---------------------|---------|
| REGION  | 2005/06 | 2004/05 | 2005/06 | 2004/05 | 2005/06         | 2004/05    | 2005/06             | 2004/05 |
| CENTRAL | -0-     | -0-     | 198,000 | -0-     | 1,364,259       | 1,331,567  | 13.4                | 4.2     |
| WEST    | -0-     | -0-     | -0-     | -0-     | 60,223,255      | 29,415,099 | 83.3                | 92.4    |
| EAST    | -0-     | -0-     | -0-     | -0-     | 2,404,476       | 1,070,603  | 3.3                 | 3.4     |
| TOTAL   | -0-     | -0-     | 198,000 | -0-     | 63,991,990      | 31,817,269 | 100.0               | 100.0   |

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 08/12/06 & Comparable Week 2005

|                     |      | 1   | 2   | 3    | 4    | 5    | 6    | 7    | 8    | 9   | 10    | WEEK    | U.S. TOTAL<br>SINCE JAN 1 | % DAIRY OF ALL<br>WEEK SINCE JAN 1 |
|---------------------|------|-----|-----|------|------|------|------|------|------|-----|-------|---------|---------------------------|------------------------------------|
| Regions* (000 HEAD) |      |     |     |      |      |      |      |      |      |     |       |         |                           |                                    |
| 2006-Dairy          | N.A. | 0.6 | 6.1 | 2.5  | 16.5 | 2.2  | 0.4  | N.A. | 15.8 | 1.7 | 47.0  | 1,401.8 | 42.9                      | 44.2                               |
| 2005-Dairy          | N.A. | 0.6 | 5.8 | 2.5  | 12.7 | 2.5  | 0.5  | N.A. | 13.3 | 1.6 | 40.4  | 1,385.9 | 48.2                      | 47.2                               |
| 2006-All cows       | N.A. | 0.6 | 7.6 | 12.7 | 28.8 | 20.5 | 15.1 | N.A. | 18.6 | 2.2 | 109.5 | 3,170.6 |                           |                                    |
| 2005-All cows       | N.A. | 0.7 | 7.2 | 10.9 | 24.7 | 11.9 | 8.9  | N.A. | 15.1 | 2.0 | 83.9  | 2,936.1 |                           |                                    |

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III MILK PRICES, (3.5% BF)

| YEAR | JAN   | FEB   | MAR   | APR   | MAY   | JUN   | JUL   | AUG   | SEP   | OCT   | NOV   | DEC   |
|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 2002 | 11.87 | 11.63 | 10.65 | 10.85 | 10.82 | 10.09 | 9.33  | 9.54  | 9.92  | 10.72 | 9.84  | 9.74  |
| 2003 | 9.78  | 9.66  | 9.11  | 9.41  | 9.71  | 9.75  | 11.78 | 13.80 | 14.30 | 14.39 | 13.47 | 11.87 |
| 2004 | 11.61 | 11.89 | 14.49 | 19.66 | 20.58 | 17.68 | 14.85 | 14.04 | 14.72 | 14.16 | 14.89 | 16.14 |
| 2005 | 14.14 | 14.70 | 14.08 | 14.61 | 13.77 | 13.92 | 14.35 | 13.60 | 14.30 | 14.35 | 13.35 | 13.37 |

FEDERAL MILK ORDER CLASS PRICES FOR 2006 (3.5% BF)

| CLASS | JAN   | FEB   | MAR   | APR   | MAY   | JUN   | JUL   | AUG   | SEP   | OCT | NOV | DEC |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-----|-----|-----|
| I 1/  | 13.38 | 13.38 | 12.49 | 11.22 | 10.97 | 10.75 | 11.34 | 10.97 | 10.85 |     |     |     |
| II    | 13.25 | 12.62 | 11.69 | 11.37 | 11.13 | 11.00 | 10.83 | 11.16 |       |     |     |     |
| III   | 13.39 | 12.20 | 11.11 | 10.93 | 10.83 | 11.29 | 10.92 | 11.06 |       |     |     |     |
| IV    | 12.20 | 11.10 | 10.68 | 10.36 | 10.33 | 10.22 | 10.21 | 10.64 |       |     |     |     |

1/ Specific order differentials to be added to this base price are located at [www.ams.usda.gov/dyfm05/mib/cls\\_prod\\_cmp\\_pr.htm](http://www.ams.usda.gov/dyfm05/mib/cls_prod_cmp_pr.htm)



## INTERNATIONAL DAIRY MARKET NEWS

Information gathered August 21 - September 1, 2006

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

## WESTERN AND EASTERN EUROPE

**WESTERN OVERVIEW:** European milk production continues to decline seasonally. The weather has been cooler and frequently wet recently and temperatures are more seasonal. Overall milk production is likely to remain lower than a year ago for the season. Recent heat reduced milk volumes and manufactured product supplies available for export. The final results for the butter invention stocks will not be available until September since the season closes August 31. However, reports indicate that around 4000 tons of older butter was sold from inventory recently. Butter prices may have hit the bottom and reached a level of support internally. The recent hot spell caused a sharp reduction in fat tests and tightened cream and fresh butter supplies. With a continued push towards cheese production over other products, skim production continues lower, reducing supplies and adding to a firm domestic market. International interest is likely looking elsewhere to source skim supplies due to price. The whole milk market is firm with some African demand noted for generally smaller quantities. The EU commission recently announced that skim milk exporters no longer need to apply for a refund (export license) since no refunds are being made, though it applies only for skim.

**BUTTER/BUTTEROIL:** The butter market may have reached the bottom and is at least steady. Summer heat sharply reduced cream supplies and ended offerings into intervention. Reports indicate that around 4000 tons were purchased from intervention supplies. After the official close of intervention on August 31, purchases for the season will be available in September. Churning remains light as milk supplies continue to be directed toward cheese over butter/skim milk.

|                |               |
|----------------|---------------|
| 82% BUTTERFAT: | 1,700 - 1,925 |
| 99% BUTTERFAT: | 2,200 - 2,300 |

**SKIM MILK POWDER (SMP):** The skim milk market is firm domestically and international interest is shifting to other sources due to price. Internal skim production has been lower much of this year and buyers have been more aggressive in seeking volumes. Production remains below a year ago. The EU commission recently announced that skim milk exporters no longer need to apply for a refund (export license) since no refunds are actually available for skim exports.

|                  |               |
|------------------|---------------|
| 1.25% BUTTERFAT: | 2,600 - 2,800 |
|------------------|---------------|

**WHOLE MILK POWDER (WMP):** The whole milk market is firm. Some interest from African buyers is noted but generally for smaller volumes. Inventories are being held with confidence. Production is lower seasonally and inventory is held with confidence.

|                |               |
|----------------|---------------|
| 26% BUTTERFAT: | 2,200 - 2,300 |
|----------------|---------------|

**SWEET WHEY POWDER:** The internal EU whey market is firm as buyers seek alternatives for skim and whole milk due to tight supplies and firm prices. International interest is light due to more attractively priced product sourced elsewhere in the world. Cheese production is seasonally lighter.

|                 |             |
|-----------------|-------------|
| NONHYGROSCOPIC: | 925 - 1,025 |
|-----------------|-------------|

**EASTERN OVERVIEW:** Temperatures have moderated after the recent heat. The declines in milk receipts seem more noticeable in Eastern European countries, particularly in the Baltic region. The reduction in milk receipts has impacted the volume of manufactured products produced. This will reduce the overall volumes available for sale both internally and the export market.

## OCEANIA

**OCEANIA OVERVIEW:** The new milk production season is just underway in New Zealand with cows continuing to freshen. Milk volumes produced are increasing seasonally toward the peak intakes expected at least in late October or early November during the spring season. Manufacturing plant receipts are also growing seasonally. The report of previous season butter destined for the EU being resold elsewhere is incorrect. This product is being placed into bonded warehouses in Europe, pending the resolution of the matter. Also, the planned product mixture for using early season milk intakes in New Zealand has not adjusted because of the EU butter situation. Early season weather conditions are currently fine for the continued increase in milk production. Some product continues to be shipped from inventory to fill previously placed customer orders. In Australia, it is also the low point in the milk production cycle during the winter months. Current winter weather conditions are about normal. Thus far, winter rains have generally been disappointing and have dimmed the prospect for the upcoming season. However, there are still a few more weeks of winter left to help make up some of the difference. Most activity centers on shipping product left in inventory and putting together deals for the approaching production season. Australian July 2005 - June 2006 milk production is estimated at 10,087.0 million liters, down 37.8 million liters, (-0.4%) from the previous year.

**BUTTER:** Current international interest is fairly quiet. Prices are steady with order plans being set up for the new season and shipments still occurring from inventory produced last season. Churning remains light as plant milk intakes increase slowly in New Zealand and hold at minimal winter levels in Australia. The New Zealand issue with the EU commission over EU butter sales continues though the stocks are being shipped and placed in a bonded European warehouse pending the outcome. The stocks are still committed though product availability may just be delayed as a result.

|                |               |
|----------------|---------------|
| 82% BUTTERFAT: | 1,500 - 1,750 |
|----------------|---------------|

**CHEDDAR CHEESE:** Current prices are steady. The current market conditions are quiet as cheese production starts to pick up seasonally and shipments from inventory from last year deplete supplies. Exporters are still setting up commitments and delivery schedules for new season production.

|                       |               |
|-----------------------|---------------|
| 39% MAXIMUM MOISTURE: | 2,500 - 2,700 |
|-----------------------|---------------|

**SKIM MILK POWDER (SMP):** The skim milk market is steady to firm though reported prices remain unchanged. Inventories and production are light and basically committed for the short term. Spot buying is quiet. Most activity is shipments from inventory to customers as new season production remains limited. Reduced 2006 European skim production and seasonal tightness in U.S. supplies is adding support to the international skim market.

|                  |               |
|------------------|---------------|
| 1.25% BUTTERFAT: | 2,000 - 2,200 |
|------------------|---------------|

**WHOLE MILK POWDER (WMP):** The whole milk market is steady to firm. Production remains seasonally light and shipments continue from remaining inventory to fulfill deals made previously. Reported spot interest is light though traders are optimistic about additional international demand for the new season production.

|                |               |
|----------------|---------------|
| 26% BUTTERFAT: | 2,000 - 2,200 |
|----------------|---------------|

Exchange rates for selected foreign currencies: August 28, 2006

|                       |                          |
|-----------------------|--------------------------|
| .9004 Canadian Dollar | .0215 Indian Rupee       |
| .3230 Argentina Peso  | .6383 New Zealand Dollar |
| .0919 Mexican Peso    | .7595 Australian Dollar  |
| .3238 Polish Zloty    | .0085 Japanese Yen       |
| 1.2790 Euro           |                          |

To compare the value of 1 US Dollar to Mexican Pesos:  $(1/.0919) = 10.8814$  Mexican Pesos.

Source: *Wall Street Journal*



**CHICAGO MERCANTILE EXCHANGE FUTURES**Selected settling prices, (open interest), and volume 1/

| Month  | 08/16            | 08/17            | 08/18            | 08/21            | 08/22            | 08/23            | 08/24            | 08/25            | 08/28            | 08/29            |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>CME - CLASS III MILK FUTURES (Pit-Traded)</b>             |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| AUG 06   | 11.02 (4392) 117 | 11.03 (4303) 91  | 11.05 (4346) 64  | 11.07 (4347) 21  | 10.98 (4382) 6   | 11.05 (4382) 2   | 11.06 (4418) 110 | 11.05 (4414) 32  | 11.05 (4545) 0   | 11.06 (4549) 12  |
| SEP 06   | 11.80 (5202) 102 | 12.23 (5194) 224 | 12.22 (5289) 322 | 12.13 (5324) 110 | 12.08 (5304) 175 | 12.18 (5243) 182 | 12.34 (5262) 200 | 12.47 (4940) 677 | 12.53 (4810) 322 | 12.46 (4738) 157 |
| OCT 06   | 12.45 (4433) 83  | 12.79 (4468) 70  | 12.68 (4527) 207 | 12.60 (4541) 57  | 12.53 (4551) 161 | 12.59 (4454) 148 | 12.76 (4432) 147 | 12.90 (4441) 288 | 12.91 (4508) 281 | 12.80 (4508) 167 |
| NOV 06   | 12.63 (3580) 35  | 12.77 (3598) 28  | 12.70 (3630) 84  | 12.62 (3652) 71  | 12.55 (3664) 87  | 12.55 (3685) 50  | 12.79 (3686) 39  | 12.87 (3701) 70  | 12.87 (3774) 136 | 12.63 (3813) 67  |
| DEC 06   | 12.63 (3142) 28  | 12.78 (3148) 26  | 12.67 (3162) 91  | 12.60 (3161) 32  | 12.58 (3191) 57  | 12.58 (3228) 64  | 12.75 (3277) 66  | 12.80 (3321) 63  | 12.78 (3395) 98  | 12.58 (3418) 64  |
| JAN 07   | 12.65 (1373) 8   | 12.79 (1416) 50  | 12.70 (1425) 16  | 12.64 (1429) 14  | 12.58 (1438) 11  | 12.58 (1489) 55  | 12.63 (1516) 30  | 12.65 (1525) 22  | 12.64 (1600) 81  | 12.53 (1607) 35  |
| FEB 07   | 12.40 (1093) 3   | 12.50 (1103) 32  | 12.35 (1111) 15  | 12.35 (1113) 13  | 12.33 (1127) 21  | 12.33 (1130) 20  | 12.37 (1145) 38  | 12.37 (1149) 23  | 12.38 (1222) 93  | 12.28 (1225) 29  |
| MAR 07   | 12.37 (1165) 6   | 12.47 (1182) 26  | 12.36 (1196) 16  | 12.45 (1204) 19  | 12.40 (1214) 10  | 12.35 (1209) 16  | 12.40 (1211) 31  | 12.40 (1218) 3   | 12.33 (1235) 88  | 12.26 (1250) 31  |
| APR 07   | 12.70 (852) 2    | 12.75 (875) 20   | 12.65 (877) 5    | 12.72 (889) 20   | 12.69 (899) 10   | 12.69 (899) 6    | 12.70 (916) 23   | 12.70 (917) 1    | 12.57 (986) 75   | 12.48 (994) 33   |
| MAY 07   | 12.62 (821) 3    | 12.70 (838) 18   | 12.55 (839) 2    | 12.64 (857) 20   | 12.62 (857) 13   | 12.70 (858) 8    | 12.70 (868) 20   | 12.70 (869) 1    | 12.60 (920) 75   | 12.54 (930) 27   |
| JUN 07   | 12.70 (767) 5    | 12.80 (787) 27   | 12.70 (787) 4    | 12.79 (796) 15   | 12.70 (806) 11   | 12.65 (807) 7    | 12.70 (809) 6    | 12.70 (810) 1    | 12.70 (853) 67   | 12.61 (862) 29   |
| JUL 07   | 13.17 (593) 2    | 13.25 (595) 19   | 13.24 (607) 10   | 13.24 (617) 12   | 13.22 (620) 15   | 13.22 (624) 14   | 13.22 (626) 4    | 13.25 (627) 5    | 13.25 (638) 14   | 13.20 (649) 30   |
| AUG 07   | 13.34 (533) 2    | 13.38 (539) 18   | 13.40 (545) 14   | 13.38 (555) 12   | 13.36 (561) 15   | 13.36 (568) 14   | 13.43 (572) 4    | 13.45 (577) 9    | 13.45 (576) 14   | 13.40 (582) 28   |
| SEP 07   | 13.40 (511) 7    | 13.42 (517) 18   | 13.42 (517) 3    | 13.44 (527) 11   | 13.44 (530) 18   | 13.47 (539) 14   | 13.47 (539) 4    | 13.48 (539) 7    | 13.48 (541) 12   | 13.45 (558) 35   |
| <b>CME - CLASS IV MILK FUTURES (Pit-Traded)</b>              |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| AUG 06   | 10.90 (6) 0      | 10.90 (6) 0      | 10.90 (6) 0      | 10.90 (6) 0      | 10.90 (6) 0      | 10.90 (6) 0      | 10.90 (6) 0      | 10.90 (6) 0      | 10.90 (6) 0      | 10.90 (6) 0      |
| SEP 06   | 11.18 (6) 0      | 11.18 (6) 0      | 11.18 (6) 0      | 11.18 (6) 0      | 11.18 (6) 0      | 11.18 (6) 0      | 11.18 (6) 0      | 11.18 (6) 0      | 11.18 (6) 0      | 11.20 (6) 0      |
| OCT 06   | 11.29 (6) 0      | 11.29 (6) 0      | 11.29 (6) 0      | 11.29 (6) 0      | 11.29 (6) 0      | 11.29 (6) 0      | 11.29 (6) 0      | 11.29 (6) 0      | 11.29 (6) 0      | 11.29 (6) 0      |
| <b>CME – PRODUCT SETTLED BUTTER FUTURES (Pit-Traded)</b>     |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| SEP 06   | 128.25 (337) 0   | 128.75 (335) 20  | 128.00 (333) 2   | 127.00 (333) 0   | 128.00 (332) 7   | 130.00 (326) 10  | 131.00 (323) 9   | 133.75 (323) 13  | 135.00 (314) 11  | 135.00 (312) 57  |
| OCT 06   | 128.50 (238) 0   | 129.50 (244) 16  | 129.00 (244) 0   | 128.00 (244) 0   | 128.50 (244) 1   | 131.00 (247) 6   | 132.50 (248) 9   | 134.75 (244) 12  | 135.50 (235) 17  | 136.50 (235) 4   |
| DEC 06   | 128.50 (42) 0    | 130.00 (42) 1    | 130.00 (42) 0    | 130.00 (42) 0    | 129.50 (42) 1    | 130.00 (42) 0    | 131.25 (42) 0    | 131.25 (42) 0    | 132.00 (42) 0    | 133.50 (44) 2    |
| <b>CME – CASH SETTLED BUTTER FUTURES (Electronic-Traded)</b> |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| AUG 06   | 122.50 (829) 0   | 122.50 (829) 0   | 122.00 (829) 2   | 121.50 (817) 6   | 121.50 (769) 46  | 122.00 (745) 12  | 122.00 (735) 5   | 120.50 (721) 17  | 120.50 (721) 0   | 120.50 (721) 0   |
| SEP 06   | 128.50 (980) 0   | 129.00 (980) 4   | 128.50 (980) 13  | 128.00 (970) 16  | 128.00 (970) 10  | 130.50 (970) 6   | 131.00 (970) 3   | 132.00 (970) 7   | 132.00 (970) 10  | 131.50 (970) 7   |
| OCT 06   | 128.00 (803) 2   | 128.00 (799) 4   | 128.00 (799) 0   | 128.00 (799) 16  | 128.50 (795) 7   | 130.00 (801) 17  | 132.50 (803) 18  | 133.50 (804) 25  | 134.50 (816) 33  | 133.75 (821) 6   |

1/ At the CME open interest for milk -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-250-3208.

MONTHLY SUMMARY AND AVERAGES FOR AUGUST 2006 1/ - (UNLESS OTHERWISE NOTED, PRICES ARE DOLLARS PER POUND, CL/ITL)

| COMMODITY   | ::REPORT NUMBER 31<br>::----- | ::REPORT NUMBER 32<br>::----- | ::REPORT NUMBER 33<br>::----- | ::REPORT NUMBER 34<br>::----- | ::REPORT NUMBER 35::<br>::----- | 2006<br>Average | 2005<br>Average |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|---------------------------------|-----------------|-----------------|
|   | :: AUG 01 - 04                | :: AUG 07 - 11                | :: AUG 14 - 18                | :: AUG 21 - 25                | :: AUG 28 - 31                  | :: or Total     | :: or Total     |
| CHEESE  |                               |                               |                               |                               |                                 |                 |                 |
| WISCONSIN (WSP, Delivered, LTL)                                       |                               |                               |                               |                               |                                 |                 |                 |
| -- Process American 5# Loaf   | :: 1.3875 - 1.6300            | :: 1.4250 - 1.6300            | :: 1.4350 - 1.6800            | :: 1.4875 - 1.6800            | :: 1.5350 - 1.7000              | :: 1.5586       | :: 1.7886       |
| -- Brick And/Or Muenster 5#   | :: 1.6500 - 1.7175            | :: 1.6500 - 1.7525            | :: 1.7000 - 1.7500            | :: 1.7000 - 1.8025            | :: 1.7000 - 1.8325              | :: 1.7255       | :: 1.9751       |
| -- Cheddar 40# Block  | :: 1.5200 - 2.2650            | :: 1.5200 - 2.2650            | :: 1.5525 - 2.2650            | :: 1.5700 - 2.2650            | :: 1.5700 - 2.2650              | :: 1.9058       | :: 2.0176       |
| -- Monterey Jack 10#  | :: 1.6500 - 2.2650            | :: 1.6500 - 2.2650            | :: 1.7000 - 2.2650            | :: 1.7000 - 2.2650            | :: 1.7000 - 2.2650              | :: 1.9727       | :: 2.1342       |
| -- Blue 5#  | :: 2.0225 - 2.3300            | :: 2.0575 - 2.3300            | :: 2.0525 - 2.3800            | :: 2.1075 - 2.3800            | :: 2.1375 - 2.3800              | :: 2.2178       | :: 2.4776       |
| -- Mozzarella 5 - 6#  | :: 1.3475 - 2.3650            | :: 1.3825 - 2.3650            | :: 1.3800 - 2.3650            | :: 1.4325 - 2.3650            | :: 1.4625 - 2.3650              | :: 1.8828       | :: 1.9813       |
| -- Grade A Swiss Cuts 6 - 9#  | :: 2.1550 - 2.8300            | :: 2.1550 - 2.8300            | :: 2.1550 - 2.8300            | :: 2.1550 - 2.8300            | :: 2.1550 - 2.8300              | :: 2.4925       | :: 2.6500       |
| NORTHEAST (WSP, Delivered, LTL)                                       |                               |                               |                               |                               |                                 |                 |                 |
| -- Cheddar 10# Prints   | :: 1.2450 - 1.7650            | :: 1.2800 - 1.8000            | :: 1.2775 - 1.7975            | :: 1.3075 - 1.8275            | :: 1.3375 - 1.8575              | :: 1.5493       | :: 1.7601       |
| -- Cheddar Single Daisies   | :: 1.2025 - 1.6875            | :: 1.2375 - 1.7225            | :: 1.2350 - 1.7200            | :: 1.2650 - 1.7500            | :: 1.2950 - 1.7800              | :: 1.4893       | :: 1.6951       |
| -- Cheddar 40# Block  | :: 1.3000 - 1.5750            | :: 1.3350 - 1.6100            | :: 1.3325 - 1.6075            | :: 1.3625 - 1.6375            | :: 1.3925 - 1.6675              | :: 1.4818       | :: 1.6951       |
| -- Process 5# Loaf  | :: 1.3225 - 1.5675            | :: 1.3650 - 1.6050            | :: 1.3750 - 1.6150            | :: 1.4275 - 1.6675            | :: 1.4625 - 1.7025              | :: 1.5108       | :: 1.7209       |
| -- Process 5# Sliced  | :: 1.3425 - 1.6525            | :: 1.3800 - 1.6900            | :: 1.3900 - 1.7000            | :: 1.4425 - 1.7525            | :: 1.4775 - 1.7875              | :: 1.5612       | :: 1.7486       |
| -- Muenster   | :: 1.3175 - 1.5175            | :: 1.3525 - 1.5525            | :: 1.3500 - 1.5500            | :: 1.3800 - 1.5800            | :: 1.4100 - 1.6100              | :: 1.4618       | :: 1.6737       |
| -- Grade A Swiss Cuts 10 - 14#  | :: 2.4500 - 2.6500            | :: 2.4500 - 2.6500            | :: 2.4500 - 2.6500            | :: 2.4500 - 2.6500            | :: 2.4500 - 2.6500              | :: 2.5500       | :: 2.5500       |
| WEST COAST (WSP, Delivered, LTL)                                      |                               |                               |                               |                               |                                 |                 |                 |
| -- Process 5# Loaf  | :: 1.2675 - 1.5250            | :: 1.3075 - 1.5650            | :: 1.3175 - 1.5750            | :: 1.3700 - 1.6275            | :: 1.4050 - 1.6625              | :: 1.4620       | :: 1.6884       |
| -- Cheddar 40# Block  | :: 1.2775 - 1.6300            | :: 1.3150 - 1.6675            | :: 1.3150 - 1.6675            | :: 1.3400 - 1.6925            | :: 1.3700 - 1.7225              | :: 1.4997       | :: 1.7164       |
| -- Cheddar 10# Cuts   | :: 1.4575 - 1.6775            | :: 1.4950 - 1.7150            | :: 1.4950 - 1.7150            | :: 1.5200 - 1.7400            | :: 1.5500 - 1.7700              | :: 1.6135       | :: 1.8301       |
| -- Monterey Jack 10#  | :: 1.4675 - 1.6275            | :: 1.5050 - 1.6650            | :: 1.5050 - 1.6650            | :: 1.5300 - 1.6900            | :: 1.5600 - 1.7200              | :: 1.5935       | :: 1.8101       |
| -- Grade A Swiss Cuts 6 - 9#  | :: 2.3500 - 2.7000            | :: 2.3500 - 2.7000            | :: 2.3500 - 2.7000            | :: 2.3500 - 2.7000            | :: 2.3500 - 2.7000              | :: 2.5250       | :: 2.4750       |
| FLUID PRODUCTS  |                               |                               |                               |                               |                                 |                 |                 |
| SPOT PRICES OF CLASS II CREAM (\$ per lb. butterfat)                  |                               |                               |                               |                               |                                 |                 |                 |
| -- Northeast - f.o.b  | :: 1.7081 - 1.7918            | :: 1.9586 - 2.0716            | :: 2.1136 - 2.2418            | :: 2.0616 - 2.2549            | :: 1.9680 - 2.2960              | :: 2.0558       | :: 2.3288       |
| -- Atlanta - dlvd. equiv.   | :: 1.7440 - 1.8515            | :: 1.9837 - 2.0716            | :: 2.1777 - 2.3058            | :: 2.1260 - 2.2935            | :: 2.0992 - 2.2960              | :: 2.1034       | :: 2.3417       |
| -- Upper Midwest - f.o.b  | :: 1.5170 - 1.8156            | :: 1.6573 - 1.9084            | :: 1.7934 - 2.1393            | :: 1.7781 - 2.1518            | :: 1.8368 - 2.1910              | :: 1.8822       | :: 2.2498       |
| PRICES OF CONDENSED SKIM - NORTHEAST (\$ per lb. wet solids) - f.o.b. |                               |                               |                               |                               |                                 |                 |                 |
| -- Class II   | :: 0.8975 - 0.9700            | :: 0.8975 - 0.9700            | :: 0.8975 - 0.9700            | :: 0.8975 - 0.9700            | :: 0.8975 - 0.9700              | :: 0.9338       | :: 1.0220       |
| -- Class III  | :: 0.8900 - 0.9500            | :: 0.8900 - 0.9500            | :: 0.8900 - 0.9500            | :: 0.8900 - 0.9500            | :: 0.8900 - 0.9500              | :: 0.9200       | :: 1.1187       |
| NATIONAL EVAPORATED MILK (\$ per Case)                                |                               |                               |                               |                               |                                 |                 |                 |
| (Case - 48 - 12 fluid oz cans)  |                               |                               |                               |                               |                                 |                 |                 |
| -- Delivered Major U.S. Cities  | ::21.2000 -36.0000            | ::21.2000 -36.0000            | ::21.2000 -36.0000            | ::21.2000 -36.0000            | ::21.2000 -36.0000              | :: 28.6000      | :: 24.7500      |

MONTHLY SUMMARY AND AVERAGES FOR AUGUST 2006 1/ - (UNLESS OTHERWISE NOTED, PRICES ARE DOLLARS PER POUND, CL/TL)

| COMMODITY                           | ::REPORT NUMBER 31<br>::----- | ::REPORT NUMBER 32<br>::----- | ::REPORT NUMBER 33<br>::----- | ::REPORT NUMBER 34<br>::----- | ::REPORT NUMBER 35<br>::----- | :: 2006<br>:: Average | :: 2005<br>:: Average |
|-------------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-----------------------|-----------------------|
|                                     | :: AUG 01 - 04                | :: AUG 07 - 11                | :: AUG 14 - 18                | :: AUG 21 - 25                | :: AUG 28 - 31                | :: or Total           | :: or Total           |
| DRY PRODUCTS                        |                               |                               |                               |                               |                               |                       |                       |
| NONFAT DRY MILK                     |                               |                               |                               |                               |                               |                       |                       |
| -- Central And East (f.o.b.)        |                               |                               |                               |                               |                               |                       |                       |
| -- Low/Medium Heat                  | :: 0.8500 - 0.9100            | :: 0.8525 - 0.9350            | :: 0.8600 - 1.1250            | :: 0.8625 - 1.1000            | :: 0.8625 - 1.1500            | :: 0.9514             | :: 1.0009             |
| -- Mostly                           | :: 0.8775 - 0.8900            | :: 0.8850 - 0.9200            | :: 0.9200 - 0.9600            | :: 0.9200 - 1.1000            | :: 1.0100 - 1.0600            | :: 0.9538             | :: 0.9987             |
| -- High Heat                        | :: 0.8850 - 0.9800            | :: 0.8875 - 0.9900            | :: 0.8950 - 1.0300            | :: 0.8975 - 1.2000            | :: 0.8975 - 1.2500            | :: 0.9902             | :: 1.0547             |
| -- West (f.o.b.)                    |                               |                               |                               |                               |                               |                       |                       |
| -- Low/Medium Heat                  | :: 0.8100 - 0.8650            | :: 0.8200 - 0.8800            | :: 0.8100 - 1.0500            | :: 0.8100 - 1.0500            | :: 0.8300 - 1.0000            | :: 0.8939             | :: 0.9579             |
| -- Mostly                           | :: 0.8250 - 0.8400            | :: 0.8300 - 0.8450            | :: 0.8450 - 0.9000            | :: 0.8525 - 0.9500            | :: 0.8525 - 0.9500            | :: 0.8692             | :: 0.9486             |
| -- High Heat                        | :: 0.8475 - 0.8850            | :: 0.8500 - 0.8900            | :: 0.8500 - 0.9200            | :: 0.8550 - 0.9500            | :: 0.8575 - 0.9500            | :: 0.8855             | :: 0.9802             |
| WHEY POWDER (Nonhygroscopic)        |                               |                               |                               |                               |                               |                       |                       |
| -- Central (f.o.b.)                 | :: 0.2950 - 0.3250            | :: 0.3000 - 0.3250            | :: 0.3050 - 0.3250            | :: 0.3100 - 0.3300            | :: 0.3175 - 0.3400            | :: 0.3171             | :: 0.2858             |
| -- Mostly                           | :: 0.2950 - 0.3050            | :: 0.3000 - 0.3100            | :: 0.3050 - 0.3150            | :: 0.3100 - 0.3250            | :: 0.3175 - 0.3375            | :: 0.3118             | :: 0.2840             |
| -- West (f.o.b.)                    | :: 0.2725 - 0.3200            | :: 0.2725 - 0.3225            | :: 0.2725 - 0.3300            | :: 0.2725 - 0.3400            | :: 0.2725 - 0.3400            | :: 0.3015             | :: 0.3110             |
| -- Mostly                           | :: 0.2900 - 0.3025            | :: 0.2925 - 0.3100            | :: 0.3000 - 0.3125            | :: 0.3000 - 0.3200            | :: 0.3000 - 0.3200            | :: 0.3049             | :: 0.3107             |
| -- Northeast (f.o.b.)               | :: 0.2975 - 0.3075            | :: 0.3025 - 0.3150            | :: 0.3075 - 0.3200            | :: 0.3125 - 0.3250            | :: 0.3200 - 0.3300            | :: 0.3138             | :: 0.2939             |
| -- Southeast (Delvd)                | :: 0.3175 - 0.3300            | :: 0.3225 - 0.3350            | :: 0.3275 - 0.3400            | :: 0.3325 - 0.3450            | :: 0.3400 - 0.3500            | :: 0.3340             | :: 0.3166             |
| WHEY PROTEIN CONCENTRATE            |                               |                               |                               |                               |                               |                       |                       |
| -- Central And West (f.o.b.)        |                               |                               |                               |                               |                               |                       |                       |
| -- Extra Grade 34% Protein          | :: 0.5700 - 0.6250            | :: 0.5950 - 0.6250            | :: 0.6000 - 0.6600            | :: 0.6000 - 0.6600            | :: 0.6100 - 0.6600            | :: 0.6209             | :: 0.8984             |
| -- Mostly                           | :: 0.5900 - 0.6000            | :: 0.5950 - 0.6050            | :: 0.6000 - 0.6200            | :: 0.6100 - 0.6300            | :: 0.6200 - 0.6300            | :: 0.6100             | :: 0.8956             |
| ANIMAL FEED - WHEY                  |                               |                               |                               |                               |                               |                       |                       |
| -- Central (f.o.b.)                 |                               |                               |                               |                               |                               |                       |                       |
| -- Milk Replacer                    | :: 0.2750 - 0.2800            | :: 0.2800 - 0.2850            | :: 0.2850 - 0.3150            | :: 0.3000 - 0.3200            | :: 0.2975 - 0.3200            | :: 0.2960             | :: 0.2570             |
| BUTTERMILK (Min. 30% protein)       |                               |                               |                               |                               |                               |                       |                       |
| -- Central (f.o.b.)                 | :: 0.8975 - 0.9900            | :: 0.9450 - 0.9900            | :: 0.9675 - 1.0100            | :: 0.9900 - 1.0500            | :: 1.0200 - 1.0500            | :: 0.9911             | :: 0.9970             |
| -- West (f.o.b.)                    | :: 0.7200 - 0.7950            | :: 0.7300 - 0.8000            | :: 0.7500 - 0.8700            | :: 0.7600 - 0.9000            | :: 0.8000 - 0.9000            | :: 0.8024             | :: 0.9367             |
| -- Mostly                           | :: 0.7400 - 0.7900            | :: 0.7500 - 0.7900            | :: 0.7800 - 0.8300            | :: 0.8300 - 0.8700            | :: 0.8400 - 0.8900            | :: 0.8107             | :: 0.9176             |
| -- Northeast (f.o.b.)               | :: 0.8350 - 0.8750            | :: 0.8375 - 0.8750            | :: 0.8450 - 0.8850            | :: 0.8900 - 0.9100            | :: 0.9100 - 0.9300            | :: 0.8785             | :: 0.9732             |
| -- Southeast (Delvd)                | :: 0.8550 - 0.8950            | :: 0.8575 - 0.8950            | :: 0.8650 - 0.9050            | :: 0.9100 - 0.9300            | :: 0.9300 - 0.9500            | :: 0.8985             | :: 1.0200             |
| WHOLE MILK POWDER                   |                               |                               |                               |                               |                               |                       |                       |
| -- National (f.o.b.)                | :: 1.1400 - 1.2400            | :: 1.1400 - 1.2400            | :: 1.2000 - 1.3000            | :: 1.2500 - 1.3200            | :: 1.2500 - 1.3200            | :: 1.2402             | :: 1.3741             |
| LACTOSE                             |                               |                               |                               |                               |                               |                       |                       |
| -- Central And West (f.o.b.)        | :: 0.2775 - 0.4100            | :: 0.2775 - 0.4100            | :: 0.2775 - 0.4100            | :: 0.2775 - 0.4100            | :: 0.2775 - 0.4100            | :: 0.3438             | :: 0.2053             |
| -- Mostly                           | :: 0.3100 - 0.3500            | :: 0.3100 - 0.3500            | :: 0.3100 - 0.3700            | :: 0.3100 - 0.3800            | :: 0.3200 - 0.3800            | :: 0.3389             | :: 0.2003             |
| CASEIN - Edible - National (f.o.b.) |                               |                               |                               |                               |                               |                       |                       |
| -- Nonrestricted - Rennet           | :: 3.0000 - 3.1000            | :: 3.0000 - 3.1000            | :: 3.0000 - 3.1000            | :: 2.9500 - 3.0000            | :: 2.9500 - 3.0000            | :: 3.0207             | :: 3.3600             |
| -- Nonrestricted - Acid             | :: 3.0500 - 3.1500            | :: 3.0500 - 3.1500            | :: 3.0500 - 3.1500            | :: 3.0000 - 3.0500            | :: 3.0000 - 3.0500            | :: 3.0707             | :: 3.3350             |

1/ Prices for all products are issued once a week and represent a value for the entire week. Monthly averages are based on weekly prices and are time-weighted according to the number of workdays in the month - Saturdays, Sundays and National Holidays excluded. No monthly average is computed if one or more weekly prices are missing.

## CHICAGO MERCANTILE EXCHANGE AVERAGES FOR AUGUST 2006

| COMMODITY          | REPORT NUMBER 31 | REPORT NUMBER 32 | REPORT NUMBER 33 | REPORT NUMBER 34 | REPORT NUMBER 35 | 2006 *          | 2005 *          |
|--------------------|------------------|------------------|------------------|------------------|------------------|-----------------|-----------------|
|                    | AUG 1 - 4        | AUG 7 - 11       | AUG 14 - 18      | AUG 21 - 25      | AUG 28 - 31      | Monthly Average | Monthly Average |
| <hr/>              |                  |                  |                  |                  |                  |                 |                 |
| BUTTER*            |                  |                  |                  |                  |                  |                 |                 |
| -- GRADE AA        |                  |                  |                  |                  |                  |                 |                 |
| --Monday           | ::               | :: 1.2900        | :: 1.2900        | :: 1.2800        | :: 1.3800        | ::              | :               |
| --Tuesday          | :: 1.2500        | :: 1.2850        | :: 1.2900        | :: 1.2950        | :: 1.3800        | ::              | :               |
| --Wednesday        | :: 1.2600        | :: 1.2675        | :: 1.2825        | :: 1.3150        | :: 1.3800        | ::              | :               |
| --Thursday         | :: 1.2600        | :: 1.2725        | :: 1.2950        | :: 1.3150        | :: 1.3775        | ::              | :               |
| --Friday           | :: 1.2850        | :: 1.2900        | :: 1.2850        | :: 1.3550        |                  | :: 1.3035       | : 1.6861        |
| --Weekly Average** | :: 1.2555        | :: 1.2810        | :: 1.2885        | :: 1.3120        |                  | ::              | :               |
| CHEESE*            |                  |                  |                  |                  |                  |                 |                 |
| -- BARRELS         |                  |                  |                  |                  |                  |                 |                 |
| --Monday           | ::               | :: 1.1575        | :: 1.1950        | :: 1.2425        | :: 1.3050        | ::              | :               |
| --Tuesday          | :: 1.1650        | :: 1.1600        | :: 1.2050        | :: 1.2450        | :: 1.3200        | ::              | :               |
| --Wednesday        | :: 1.1750        | :: 1.1550        | :: 1.2100        | :: 1.2450        | :: 1.3200        | ::              | :               |
| --Thursday         | :: 1.1600        | :: 1.1650        | :: 1.2400        | :: 1.2500        | :: 1.3350        | ::              | :               |
| --Friday           | :: 1.1600        | :: 1.1925        | :: 1.2425        | :: 1.2900        |                  | :: 1.2233       | : 1.4186        |
| --Weekly Average** | :: 1.1560        | :: 1.1660        | :: 1.2185        | :: 1.2545        |                  | ::              | :               |
| -- 40# BLOCKS      |                  |                  |                  |                  |                  |                 |                 |
| --Monday           | ::               | :: 1.1950        | :: 1.2100        | :: 1.2425        | :: 1.3000        | ::              | :               |
| --Tuesday          | :: 1.1975        | :: 1.1950        | :: 1.2100        | :: 1.2350        | :: 1.3000        | ::              | :               |
| --Wednesday        | :: 1.1950        | :: 1.1800        | :: 1.2125        | :: 1.2350        | :: 1.3400        | ::              | :               |
| --Thursday         | :: 1.1950        | :: 1.1950        | :: 1.2400        | :: 1.2600        | :: 1.3475        | ::              | :               |
| --Friday           | :: 1.1950        | :: 1.2000        | :: 1.2400        | :: 1.2950        |                  | :: 1.2354       | : 1.4249        |
| --Weekly Average** | :: 1.1965        | :: 1.1930        | :: 1.2225        | :: 1.2535        |                  | ::              | :               |
| NONFAT DRY MILK*   |                  |                  |                  |                  |                  |                 |                 |
| -- EXTRA GRADE     |                  |                  |                  |                  |                  |                 |                 |
| --Monday           | ::               | :: 0.8700        | :: 0.9000        | :: 0.9000        | :: 0.9000        | ::              | :               |
| --Tuesday          | :: 0.8700        | :: 0.8700        | :: 0.9000        | :: 0.9000        | :: 0.9000        | ::              | :               |
| --Wednesday        | :: 0.8700        | :: 0.9000        | :: 0.9000        | :: 0.9000        | :: 0.9000        | ::              | :               |
| --Thursday         | :: 0.8700        | :: 0.9000        | :: 0.9000        | :: 0.9000        | :: 0.9000        | ::              | :               |
| --Friday           | :: 0.8700        | :: 0.9000        | :: 0.9000        | :: 0.9000        |                  | :: 0.8922       | : 0.9625        |
| --Weekly Average** | :: 0.8700        | :: 0.8880        | :: 0.9000        | :: 0.9000        |                  | ::              | :               |
| -- GRADE A         |                  |                  |                  |                  |                  |                 |                 |
| --Monday           | ::               | :: 0.8700        | :: 0.9000        | :: 0.9000        | :: 0.9000        | ::              | :               |
| --Tuesday          | :: 0.8700        | :: 0.8700        | :: 0.9000        | :: 0.9000        | :: 0.9000        | ::              | :               |
| --Wednesday        | :: 0.8700        | :: 0.9000        | :: 0.9000        | :: 0.9000        | :: 0.9000        | ::              | :               |
| --Thursday         | :: 0.8700        | :: 0.9000        | :: 0.9000        | :: 0.9000        | :: 0.9000        | ::              | :               |
| --Friday           | :: 0.8700        | :: 0.9000        | :: 0.9000        | :: 0.9000        |                  | :: 0.8922       | : 0.9825        |
| --Weekly Average** | :: 0.8700        | :: 0.8880        | :: 0.9000        | :: 0.9000        |                  | ::              | :               |

\* Monthly averages are a simple average of all the closes during the month. Weekly and monthly averages are independent calculations.

\*\* Weekly averages are simple averages of the closes during the calendar week and are for information purposes. Should the week be split between two months, the weekly average will appear in the monthly report in which the Friday close is reported.



CONSUMER PRICE INDEX (CPI-U) AND AVERAGE RETAIL PRICES FOR SELECTED PRODUCTS, U.S. CITY AVERAGE <sup>1/</sup>

| Month and Year                         | All Food                 |                         | Dairy Products       |                         | Fresh Whole Milk             |                         | Cheese                       |                         | Butter                  |                         | Meat, Poultry, Fish and Eggs |                         |
|--|--------------------------|-------------------------|----------------------|-------------------------|------------------------------|-------------------------|------------------------------|-------------------------|-------------------------|-------------------------|------------------------------|-------------------------|
|  | CPI <sup>2/</sup>        | Pct. Chg. <sup>3/</sup> | CPI <sup>2/</sup>    | Pct. Chg. <sup>3/</sup> | CPI <sup>2/</sup>            | Pct. Chg. <sup>3/</sup> | CPI <sup>2/</sup>            | Pct. Chg. <sup>3/</sup> | CPI <sup>2/</sup>       | Pct. Chg. <sup>3/</sup> | CPI <sup>2/</sup>            | Pct. Chg. <sup>3/</sup> |
| MAY 2006                               | 194.2                    | 1.9                     | 181.3                | -1.3                    | 179.6                        | -3.3                    | 182.5                        | -0.9                    | 171.2                   | -7.5                    | 184.7                        | -0.2                    |
| JUNE 2006                              | 194.5                    | 2.2                     | 179.6                | -0.8                    | 178.9                        | -2.1                    | 178.4                        | -2.3                    | 169.6                   | -5.2                    | 186.0                        | 0.4                     |
| JUL 2006                               | 195.0                    | 2.2                     | 180.8                | -0.4                    | 179.3                        | -1.8                    | 182.2                        | -0.6                    | 166.0                   | -10.1                   | 185.1                        | 0.2                     |
| <b>U.S. City Average Retail Prices</b> |                          |                         |                      |                         |                              |                         |                              |                         |                         |                         |                              |                         |
| Month                                  | Whole Milk <sup>4/</sup> |                         | Butter <sup>5/</sup> |                         | Process Cheese <sup>6/</sup> |                         | Natural Cheese <sup>7/</sup> |                         | Ice Cream <sup>8/</sup> |                         |                              |                         |
|  | 2006                     | 2005                    | 2006                 | 2005                    | 2006                         | 2005                    | 2006                         | 2005                    | 2006                    | 2005                    | 2006                         | 2005                    |
|  | Dollars                  |                         |                      |                         |                              |                         |                              |                         |                         |                         |                              |                         |
| MAY                                    | 3.066                    | 3.207                   | 2.966                | 3.409                   | 3.701                        | 3.776                   | 4.284                        | 4.414                   | 3.674                   | 3.948                   |                              |                         |
| JUNE                                   | 3.001                    | 3.122                   | 2.896                | 3.107                   | 3.526                        | 3.829                   | 4.234                        | 4.440                   | 3.861                   | 3.619                   |                              |                         |
| JULY                                   | 3.083                    | 3.090                   | 2.794                | 3.140                   | 3.581                        | 3.895                   | 4.315                        | 4.377                   | 3.627                   | 3.773                   |                              |                         |

<sup>1/</sup> "CPI Detailed Report," "Consumer Prices: Energy and Food," BLS, U.S. Department of Labor. According to BLS, average prices are best used to measure the price level in a particular month. To measure price change over time, the CPI is more appropriate. <sup>2/</sup> The standard reference base period for these indexes is 1982-1984 = 100. <sup>3/</sup> Percent change over previous year. <sup>4/</sup> Per gallon. <sup>5/</sup> Per pound. Grade AA, salted, stick butter. <sup>6/</sup> Per pound, any size and type of package. <sup>7/</sup> Per pound, cheddar cheese in any size and type of package and variety (sharp, mild, smoked, etc.). <sup>8/</sup> Per 1/2 gallon, prepackaged regular.

COMMERCIAL DISAPPEARANCE: TOTAL MILK AND SELECTED DAIRY PRODUCTS—APRIL-JUNE AND YEAR-TO-DATE 2005-2006 <sup>1/</sup>

| Item                                      | Apr.-Jun.<br>2005 | Percent<br>change <sup>2/</sup> | Apr.-Jun.<br>2006 | Percent<br>change <sup>2/</sup> | Jan.-Jun.<br>2005 | Percent<br>change <sup>2/</sup> | Jan.-Jun.<br>2006 | Percent<br>change <sup>2/</sup> |
|---|-------------------|---------------------------------|-------------------|---------------------------------|-------------------|---------------------------------|-------------------|---------------------------------|
|   | Million Pounds    |                                 |                   |                                 |                   |                                 |                   |                                 |
| <b>MILK</b>                               |                   |                                 |                   |                                 |                   |                                 |                   |                                 |
| Production                                | 45,831            | 4.5                             | 46,902            | 2.3                             | 89,181            | 2.9                             | 92,455            | 3.7                             |
| Marketings                                | 45,562            | 4.5                             | 46,633            | 2.4                             | 88,646            | 3.0                             | 91,920            | 3.7                             |
| Beginning Commercial Stocks <sup>3/</sup> | 9,509             | -5.5                            | 10,850            | 14.1                            | 7,154             | -14.1                           | 8,007             | 11.9                            |
| Imports <sup>3/</sup>                     | 1,056             | -40.3                           | 1,117             | 5.8                             | 2,392             | -19.3                           | 2,223             | -7.1                            |
| Total Supply <sup>4/</sup>                | 56,127            | 1.3                             | 58,600            | 4.4                             | 98,192            | 0.8                             | 102,150           | 4.0                             |
| Ending Commercial Stocks <sup>3/</sup>    | 11,282            | -2.4                            | 12,710            | 12.7                            | 11,282            | -2.4                            | 12,710            | 12.7                            |
| Net Removals <sup>3/</sup>                | -6                | -137.5                          | 14                | 333.3                           | -34               | 141.0                           | 14                | 141.2                           |
| Commercial Disappearance <sup>4/</sup>    | 44,851            | 2.3                             | 45,871            | 2.3                             | 86,944            | 1.2                             | 89,421            | 2.8                             |
| <b>SELECTED PRODUCTS <sup>5/</sup></b>    |                   |                                 |                   |                                 |                   |                                 |                   |                                 |
| Butter                                    | 304.9             | 0.6                             | 309.5             | 1.5                             | 594.7             | 0.2                             | 628.9             | 5.8                             |
| American Cheese                           | 925.2             | 0.6                             | 1,000.3           | 8.1                             | 1,842.3           | -0.3                            | 1,961.0           | 6.4                             |
| Other Cheese                              | 1,402.1           | 3.3                             | 1,430.0           | 2.0                             | 2,806.6           | 3.3                             | 2,835.0           | 1.0                             |
| Nonfat Dry Milk                           | 350.2             | -1.0                            | 331.9             | -5.2                            | 693.2             | 1.9                             | 671.3             | -3.2                            |
| Fluid Milk Products <sup>6/</sup>         | 13,260.4          | 1.3                             | 13,410.6          | 1.1                             | 26,923.7          | 0.0                             | 27,289.9          | 1.4                             |

<sup>1/</sup> Commercial disappearance includes civilian and military purchases of milk and dairy products for domestic and foreign use, but excludes farm household use and USDA donations of dairy products. Disappearance is a residual figure and therefore can be affected by any inaccuracies in estimating milk production, on-farm use, stocks, and imports. <sup>2/</sup> From year earlier on a daily average basis. <sup>3/</sup> Milk-equivalent, milkfat basis. <sup>4/</sup> Totals may not add because of rounding. <sup>5/</sup> Commercial disappearance in product pounds. <sup>6/</sup> Sales. Estimate based on actual sales in Federal milk order marketing areas and California. These sales figures have not been adjusted for calendar composition. **SOURCE:** Economic Research Service, USDA. Fluid milk products - Agricultural Marketing Service, USDA.

## AUGUST AGRICULTURAL PRICES HIGHLIGHTS

The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in August 2006 was unchanged at 148. Compared with August 2005, the index was up 7 points (5.0 percent). The index of prices received by farmers for dairy products advanced 1 point during the month of August 2006 to 91. Compared with August 2005, the index was down 22 points (19.5 percent).

Prices received by farmers in August with changes from July were: for All Milk, \$11.90 per hundredweight (cwt.), up \$.10; Fluid Grade Milk, \$11.90 per cwt., up \$.10; and for Manufacturing Grade Milk, \$11.00 per cwt., up \$.20.

## SELECTED MILK PRICES, COWS AND DAIRY FEED PRICES, SELECTED STATES AND U.S., AUGUST 2006 WITH COMPARISONS\*

| STATE | All-milk price <u>1/</u> <u>3/</u> |                |                  |                | Milk cows <u>5/</u>  |      | Cows <u>6/</u>   |                | Alfalfa hay, baled <u>7/</u> |        |
|-------|------------------------------------|----------------|------------------|----------------|--|------|------------------|----------------|------------------------------|--------|
|       | Dollars per cwt.                   |                | Dollars per cwt. |                | Dollars per head   |      | Dollars per cwt. |                | Dollars per ton              |        |
|       | JULY                               |                | AUGUST           |                | AUGUST   |      | AUGUST           |                | AUGUST                       |        |
|       | 2006 <u>2/</u>                     | 2005 <u>2/</u> | 2006 <u>4/</u>   | 2005 <u>2/</u> | 2006   | 2005 | 2006 <u>7/</u>   | 2005 <u>8/</u> | 2006                         | 2005   |
| CA    | 10.52                              | 13.78          | 10.90            | 13.46          | PRICES<br>PUBLISHED<br><br>JANUARY,<br><br>APRIL,<br><br>JULY AND<br><br>OCTOBER |      | 45.20            | 49.10          | 103.00                       | 131.00 |
| ID    | 10.70                              | 13.80          | 10.70            | 13.60          |  |      | 44.50            | 47.70          | 118.00                       | 112.00 |
| MI    | 12.20                              | 15.00          | 12.30            | 15.30          |  |      | 49.50            | 53.00          | 85.00                        | 115.00 |
| MN    | 11.70                              | 15.00          | 11.90            | 14.80          |  |      | 50.00            | 52.90          | 75.00                        | 90.00  |
| NM    | 10.90                              | 14.00          | 11.20            | 14.20          |  |      | 41.90            | 54.20          | 166.00                       | 132.00 |
| NY    | 12.30                              | 15.40          | 12.20            | 15.60          |  |      | ---              | ---            | 150.00                       | 120.00 |
| PA    | 13.50                              | 16.30          | 13.40            | 16.60          |  |      | 46.20            | 50.90          | 154.00                       | 146.00 |
| TX    | 12.20                              | 15.00          | 12.50            | 15.30          |  |      | 42.00            | 51.50          | 160.00                       | 120.00 |
| WA    | 11.50                              | 14.70          | 11.60            | 14.70          |  |      | ---              | ---            | 125.00                       | 110.00 |
| WI    | 11.90                              | 15.20          | 12.00            | 14.90          |  |      | 48.90            | 50.60          | 55.00                        | 115.00 |
| U.S.  | 11.80                              | 14.80          | 11.90            | 14.80          |  |      | 46.90            | 51.40          | 110.00                       | 108.00 |

1/ Prices are shown at reported butterfat test. 2/ Partially revised. 3/ Before deductions for hauling. Includes quality, quantity, and other premiums. Excludes hauling subsidies. 4/ Preliminary. 5/ Animals sold for dairy herd replacement only. 6/ Beef cows and cull dairy cows sold for slaughter. 7/ Mid-month price. 8/ Entire month.

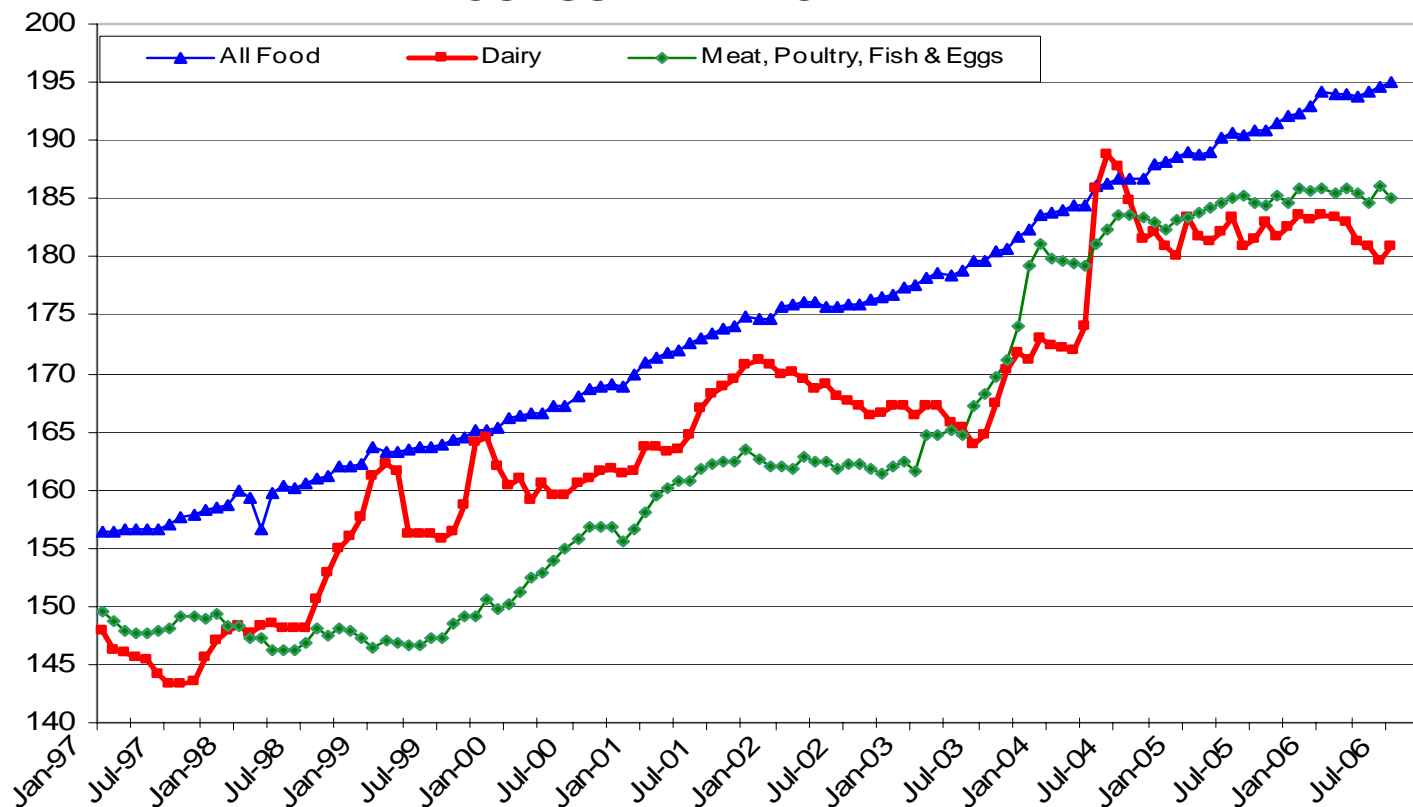
## MILK AND OTHER GENERAL PRICE MEASURES, U.S., AUGUST 2006 WITH COMPARISON

| ITEM   | AUGUST<br>2005 | JULY<br>2006 <u>1/</u> | AUGUST<br>2006 <u>2/</u> |
|--|----------------|------------------------|--------------------------|
| <b>PRICES RECEIVED BY FARMERS</b> , dol. per cwt., at reported butterfat test:                             |                |                        |                          |
| All milk   | 14.80          | 11.80                  | 11.90                    |
| Fluid grade milk   | 14.80          | 11.80                  | 11.90                    |
| Manufacturing grade milk   | 13.80          | 10.80                  | 11.00                    |
| <b>INDEX NUMBERS</b> (1990-92=100):  |                |                        |                          |
| Prices received by farmers for all farm products   | 116            | 117                    | 120                      |
| Prices received by farmers for dairy products  | 113            | 90                     | 91                       |
| Prices paid by farmers for commodities and services, interest taxes, and wage rates                        | 141            | 148                    | 148                      |
| Prices paid by farmers for production items  | 140            | 147                    | 148                      |
| Prices paid by farmers for feed  | 122            | 124                    | 124                      |
| <b>MILK FEED PRICE RATIO:</b> Pounds of 16% Mixed Dairy Feed equal in value to one pound of milk <u>3/</u> | 3.08           | 2.35                   | 2.48                     |

1/ Partially revised. 2/ Preliminary. 3/ For this data series, the price of the commercial prepared feed is based on current U.S. prices received for corn, soybeans, and alfalfa hay and all wheat.

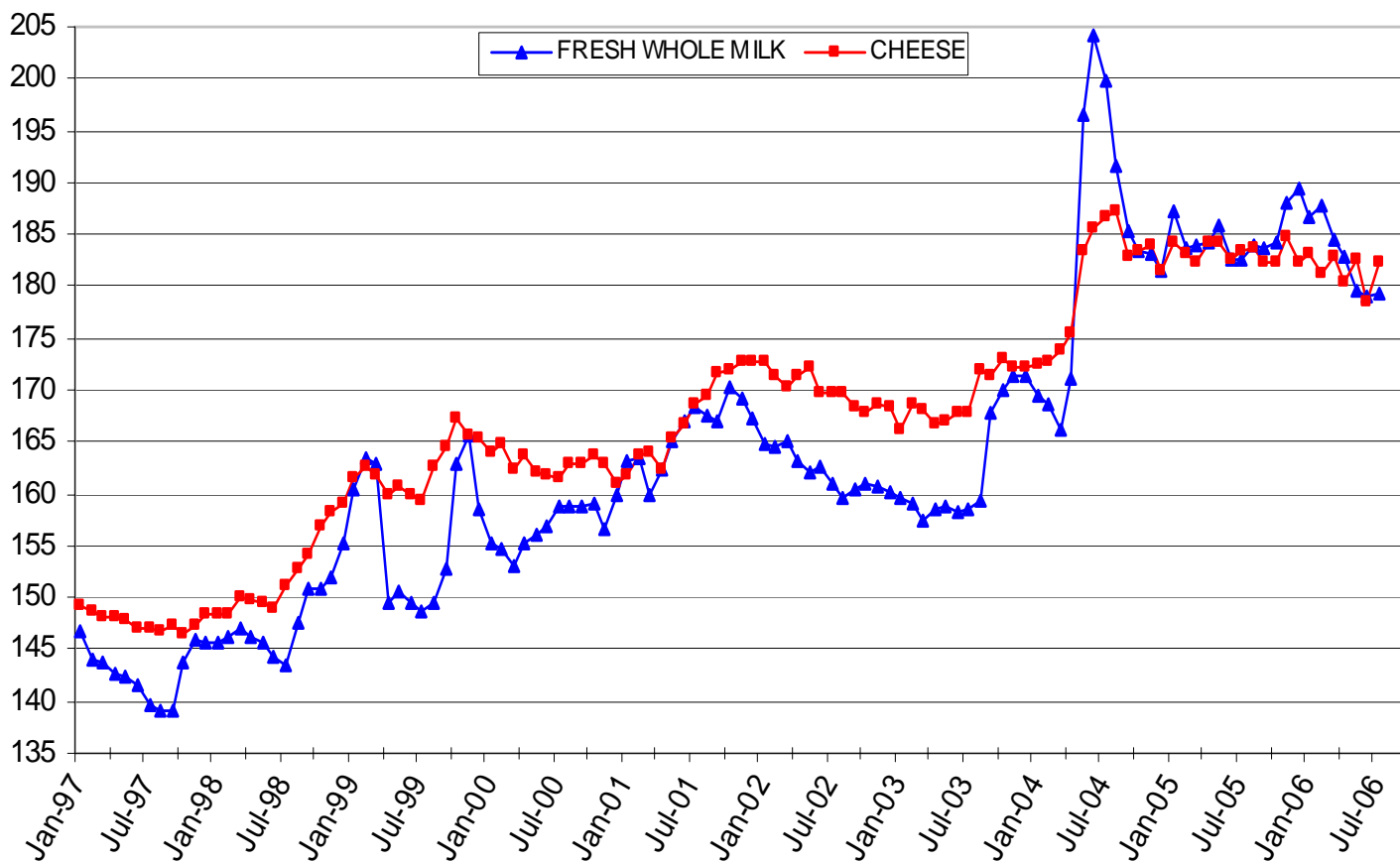
**SOURCE:** "Agricultural Prices," Pr 1 (8/06), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

1982-1984=100

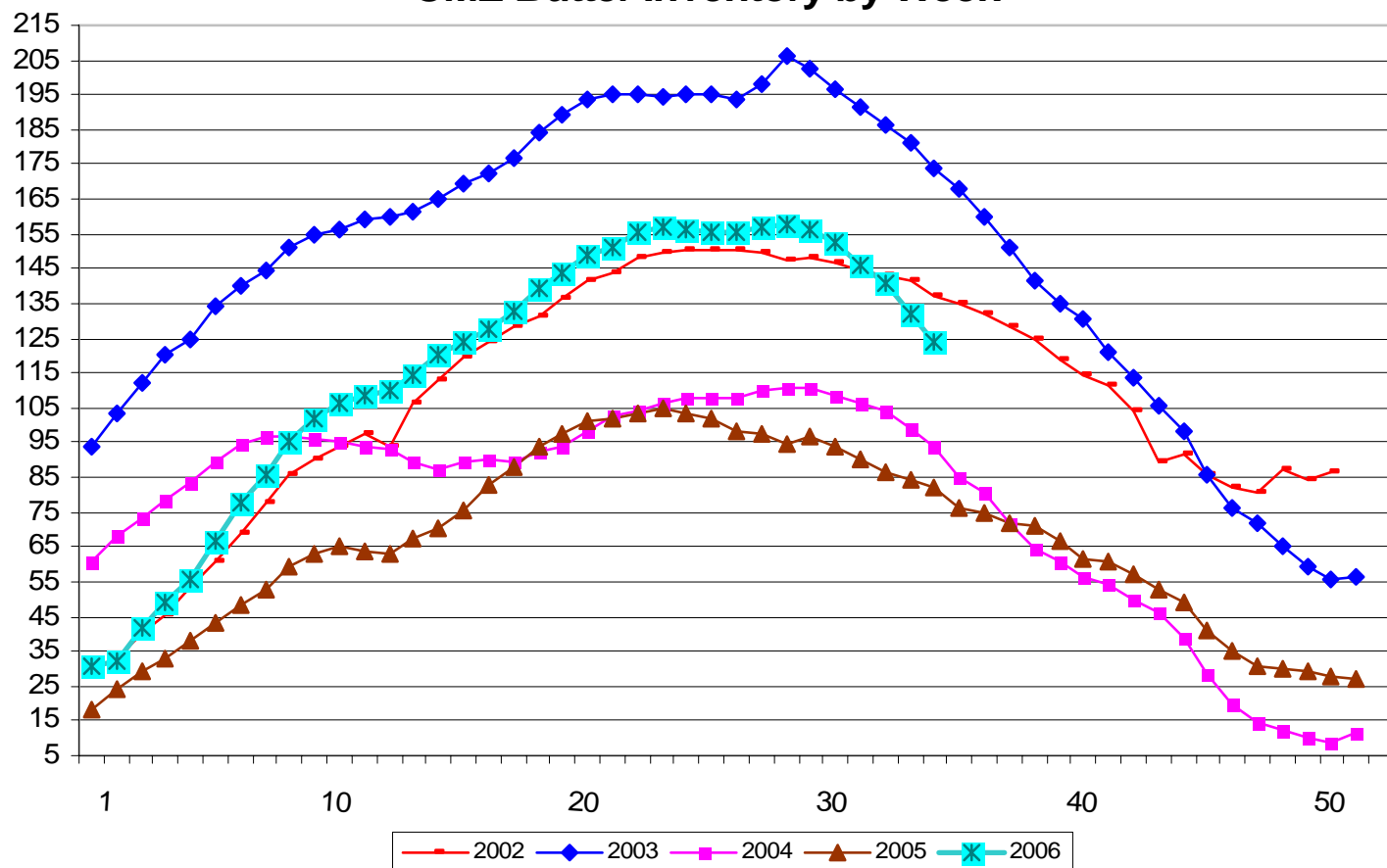
**CONSUMER PRICE INDEX**

Source: US Dept of Labor, BLS, Graph: DMN

1982-1984=100

**CONSUMER PRICE INDEX**

Million Pounds

**CME Butter Inventory by Week****Average Butterfat Test of Producer Milk in All Federal Milk Orders Combined**